COMMERCE — GENERAL

1991

MARCH — APRIL

Boycott to protest against firings

■ Community organisations in Zamdela, Sasolburg, have called a consumer boycott of white businesses to pressurise Sasol One and Natref into rehiring 867 SA Chemical Workers' Union members fired in 1987 after a wage strike. (30)

An Industrial Court order reinstating the workers with back pay was struck down in a controversial Labour Appeal Court decision, and the Appellate Division later upheld the LAC's denial of leave to appeal.

A statement by the support committee said the boycott aimed to "expose the bias and unfairness of the judicial system, which tends to favour employers". W/Mail 1/3-7/3/91

Reports from Weekly Mail staff

Curnow M & G boosts profit, turnover

LIZ ROUSE

CURNOW M & G, which distributes refinishing products to the car trade, boosted attributable profit by 34,5% on a 15,3% increase in turnover in the year to December.

Bloom 1/3/91

The company distributes Duco paint, thinners and a range of allied products and equipment through 15 branches across SA. It is listed in the retailers and wholesalers sector.

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Attributable profit rose to R1,24m (R919 000), translating into a 30,2% increase in earnings a share of 5,6c (4,3c).

The final dividend has been raised to 1,25c (0,75c), bringing total distribution to 2,25c (1,75c).

The company posted a 44,6% increase in operating profit to R3,11m (R2,15m) on a R39,1m (R33,9m) turnover, with margins improving to 7,96% (6,35%).

Curnow M & G MD Mervyn Bloom said the benefits of a management and operational restructuring initiated in 1989 were now beginning to emerge.

He said the restructuring improved efficiencies at every level, contributing directly to the profit margin increase.

SUPERMARKETS

PIPPING PICK 'N PAY

Maybe it's the advertising agency. Maybe it's Raymond Ackerman's non-stop boosterism. But Pick 'n Pay continues to hold on to its image as the cheapest supermarket. The only trouble is, the facts no longer fully support it.

Pick 'n Pay may have once been the smart shopper's best friend but now all three of the big chains charge roughly the same prices. "A few years back, Pick 'n Pay was by far the cheapest store and Checkers the most expensive," says Housewives' League vice-president Sheila Lord, "Today, prices (for a standard trolley of groceries) differ only by a few rands. We advise people to shop at the nearest and most convenient store."

A look at four surveys over the past two years shows that both Checkers and OK Bazaars have upstaged Pick 'n Pay in the price stakes at various times:

☐ A survey by the independent consumer watchdog prices a basket of 100 goods at the three chains every month. Since November 1989, Checkers has turned in the cheapest monthly average at R359,05. Pick 'n Pay came in a close second at R360,07 with OK slightly higher at R362,96.

Goods on this list include a wide variety of food and other items but meat and fresh vegetables are left out. Lord says this is because independent butchers are generally cheaper and the variety of grades and sizes make vegetables hard to compare. This survey is conducted only in the Roodepoort-northern Johannesburg area.

☐ In another test conducted by the league, the 1990 Shopping Basket surveys, Pick 'n Pay came out tops. Checkers was second with OK following close behind.

This quarterly survey is taken nationwide but prices a much smaller sample — only 28 basic items. These include dairy products, bread, mealie meal, chicken, detergents, certain tinned foods and toiletries, but again, meat and fresh vegetables are excluded. The survey ranks individual stores and, in the December sample, the cheapest chain store was the Westville Pick 'n Pay. Four of the 10 cheapest stores were Pick 'n Pays, three were OKs and one was a Checkers. The rest were independents. The price of a basket at the three big chains' cheapest 37 stores fell between R79 and R89.

☐ In a survey conducted by the government-run SA Consumer Council, OK Bazaars pips its rivals as the cheapest store. The survey totals the cheapest prices of 10 items every week and is limited to basic dairy products, chicken and a variety of meat.

This basket of goods cost an average of R76,17 a week at OK, R77,21 at Checkers, and R78,08 at Pick 'n Pay from November, when the survey began, to February 5.

☐ In July 1989, Checkers was found to be the cheapest store in a survey conducted by Ibis Marketing Information Service of Johannesburg on behalf of the council. A basket of 119 items was priced in 112 stores throughout the country. The average for each chain was: Checkers, R429,51; Pick 'n Pay, R443,27; and OK, R443,46.

These surveys don't sit well with Pick 'n Pay's Ackerman. He claims that prices differ substantially among the three major supermarkets and that Pick 'n Pay remains the cheapest overall. He also questions the surveys' methodology. "One needs to price at least 500 products to obtain a worthwhile result. In the US, surveys analyse 5 000 items to obtain accurate comparisons."

Ackerman says his claim that Pick 'n Pay offers the lowest prices is based on in-house surveys that compare 500-1 000 items regularly. The chain's ads tout Pick 'n Pay as a "discount supermarket" and announce boldly, "Don't pay more, come get more."

Pick 'n Pay ...
overtaken by rival trolleys?

But Checkers MD Sergio Martinengo agrees that prices differ very little between supermarkets. "The market has become fiercely competitive and we no longer see the big price differences of five years ago."

He says that while convenience and quality are important to consumers, price remains the most decisive criterion. "A good-looking store is not enough. Prices will remain keen for some time as competition continues to expand to include stores such as Shoprite and Spar."

Ackerman does admit that the industry is becoming increasingly competitive. "With less cash around and the use of credit increasing, supermarkets will feel the pinch," he says, referring to the race for supermarkets to link cash registers directly to electronic banking facilities. He also sees a trend towards value-added products (the gourmet items Woolworths and Pick 'n Pay now feature) and environment-friendly products.

But while the supermarket chiefs debate who's cheapest, consumers continue to foot higher bills. Food prices jumped 15% last year, according to the league, with Checkers raising its prices by 17,6%, Pick 'n Pay by 14,6%, and OK by 12,9%. ■

METRO FM 1/3/91

MORE CUTS (30)

FM 1/3/91 (30)

Will the surgery that Tradegro MD Donald Masson is now carrying out at its Metro subsidiary have the desired results? Over the past couple of years there have been numerous attempts to refocus and lift earnings back on to a sustainable growth path. Given Metro's latest performance, it would be understandable if investors view the present efforts with some scepticism.

After the rationalisation of Jazz, Dee Bee and Fairways into a single entity called Fairways Retail, Masson, who is also executive chairman of Metro, was confident in his 1990 review that "losses should be a thing of the past." The interim figures for the 1991 year show the task is far from over.

A disappointing performance at Fairways Retail, with poor showings by the Frasers wholesaling and Trade Centre Hyper wholesaling divisions, reduced group operating profit by 31%. The previous interim's R15,4m attributable income swung into a R342 000 loss, achieved on turnover of R2,1bn — a sad showing from a group that for years produced consistent growth in earnings.

High levels of inventories and debtors throughout the period were financed by increased borrowings, and the interest bill more than doubled from R8,4m to R20,3m. Masson reckons stocks were some R70m-R80m above the optimum level. He says management simply did not control the situation.

"There is no such thing as a bad business, it is all bad management," says Masson. "In a big business like this people have a tendency not to listen. It seems one must first get cross to get a reaction. We will now have to take the pain before it is going to get any better."

Masson and his management team are busy with a rationalisation plan, to restore the focus on the core cash-and-carry business. Fairways Retail and Trade Centre Hyper will be kept in Metro's portfolio, but the Frasers mining stores will be sold, as will some other businesses.

Metcash's five operating regions have been reduced to only two. About 10% of the 14 700 labour force will be retrenched. Masson expects operating overheads will be reduced by some R30m, and inventory and debtors will be R100m lower by year-end. Some of the measures have taken effect. At year-end net borrowings of R59m were well above the previous year's R37,5m, but had been reduced from the average levels prevailing during the six months.

Management succession remains a problem for Metro. When previous MD Tony McDiarmid resigned some months ago for personal reasons — barely 18 months after his predecessor Cecil Smith left (with the same explanation) — Masson became executive chairman. But he is also to leave the group once the proposed unbundling of Tradegro has been completed by end-June. In addition, financial director Stephen Hochstadter will be leaving in mid-March, to join Smith and former Metro financial director Alan Sack.

So Metro is looking for an MD and a financial director. Masson says Tradegro has potential candidates in mind to take over the helm. An announcement is expected in the next two to three months.

GOING SOFT

Six months to	Dec 23 '89	Jun 30 '90	Dec 29 '90
Turnover (Rbn)	1,73	1,76	2,14
Operating prof (Rm)	37,9	33,4	25,9
Attrib profit (Rm) ..	15,4	12,0	(0,3)
Earnings (c)	23,6	17,7	—
Dividend (c)	10,5	10,5	—

The share has been in a downward trend since October 1987. The 7,9 earnings multiple is half the retail and wholesale sector average of 16,6.

Gerhard Slabber

PEPKOR/SMART CENTRE

DEAL STRUCK

FM 1/3/91

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Pepkor's purchase of 47% of Smart Centre Holdings (SCH) for R31m from Tradegro marks the end of a long quest. For years, Christo Wiese, controlling shareholder and chairman of Pepkor, has been looking for a credit-based retail operation that meets his requirements.

The opportunity arose because of the proposal by Sankorp-controlled Tradegro to unbundle its retailing and wholesaling interests.

Wiese considers SCH a clearly focused operation that targets a definite market niche. It comprises three divisions: the large and widely spread Smart Centre chain, and two smaller operations, Kappa, which Wiese calls a valuable brand name, and Patrick Daniel. Each trades in its own niche and serves specific customers, mostly black.

The intention, says Wiese, is to expand business as quickly as possible, with most of the emphasis on Smart Centre. Wiese is clearly impressed with the potential in the group, which has "a well established track record, a credit policy and well-tried systems and very good management."

During the past two years Wiese has evaluated and rejected the possible merger or acquisition by Pepkor of other candidates,

30 FM 1/3/91 30

particularly Storeco and Tradegro. Synergies between SCH and Pepkor are not immediately obvious, and Wiese contends they are usually hard to find, define and access. But he believes they will flow from the purchasing activities, from sourcing from Pep's factories, from the property and from data processing.

Neither Tradegro MD Don Masson, who negotiated the deal, nor Wiese will explain how the price was struck. Masson does say SCH's net worth is about 177c, close to the 195c per share price (including a 3c end-March dividend.)

Wiese is noncommittal about EPS for the year to end-June but says real growth is expected. I understand that second-half EPS will probably be about 7c, after the first-half's 21c. If total EPS are assumed to be about 28c, that places a forward p:e of 6,8 on the deal.

Funding details have yet to be established, and will probably only be clarified when the offer is extended to minorities. Pepkor is likely to end up with about 60% of SCH's equity.

Pepkor is apparently enjoying positive cash flow that should boost its cash balance, which now stands at about R100m. The cash holding could still be standing around that level even if Pepkor lays out R50m cash for 60% of SCH.

Pepkor is known to be interested in some smaller Tradegro operations, and particularly the break-up of D&DH Frasers.

Gerald Hirshon

Boycott starts over sackings

Star 1/3/91 (30)

The 100 000-strong community of Sasolburg's Zamdela township launched a boycott of white businesses yesterday in a bid to win the reinstatement of 867 striking workers fired by Sasol three years ago.

The Appellate Division in Bloemfontein confirmed their sacking in 1987.

The ruling reversed an earlier decision by the Industrial Court that the strikers be reinstated unconditionally.

The Appellate Division's ruling triggered accusations by township representatives that the judicial system "tends to favour the employers rather than the workers".

"The consumer boycott will affect all white businesses in Sasolburg to force them to put pressure on Sasol One and Natref to reinstate the dismissed workers," the Sasol Strike Support Co-ordinating Committee said in a statement announcing the boycott.

Approached for comment, Sasol spokesman Jan Krynauw referred to the Appeal Court ruling.

He added that the company did not wish to comment on the boycott. — Sapa.

Small retailers seen as wild card in the price of bread

MARCIA KLEIN

BREAD wholesalers have expressed concern over mark-ups by small supermarkets and corner cafes after the removal of government's bread subsidy and price control on bread last week.

They fear that smaller retailers in areas with little competition might substantially increase their prices, thereby reducing the demand for bread.

Fedfood senior GM Johan Brand said the group was concerned that there were no regulations as far as general trade was concerned. B|Day 4/3/91

Following government's moves, the wholesale price for bread would generally go up from 116c to 118c for white bread and from 101c to 105c for brown bread.

However, Fedfood had found that some retailers were selling brown bread for 130c a loaf and white bread for 140c a loaf since the removal of the subsidy.

If there was consumer resistance to such increases, there would be a dramatic drop in sales which would affect the wholesaler's volumes, as the wholesalers' levels of profitablility were volume and not price driven, Brand said.

However, consumer resistance might force retailers to drop prices.

Although the major supermarkets had dropped their prices, Brand said this could only be a temporary measure.

When government agreed that the bread mass could be decreased, it was thought the price could remain at its existing level. However, factors such as the increase in the fuel price made this impossible, and wholesalers increased their price to recover for the loss of subsidy and to adjust for price escalations, he said.

Premier Food Industries MD Willem de Kok said that to minimise the price impact on the consumer, the reduction in the weight of a bread loaf from 850g to 800g would give the same number of slices and a better quality loaf.

However, the unknown factor was the retailers, who were previously restricted to a margin of 4c a loaf. Now that this had fallen away, they would be entitled to take whatever mark-up they wished, he said.

De Kok said the wholesale price for brown bread would be increased by 6c a loaf, which was lower than the 7,9c subsidy which was removed, and while Premier's profit margins had not been increased, there were interim cost increases for fuel and wages.

Tiger Oats public affairs manager Patrick McLaughlin said the removal of the subsidy would result in increased competition due to overcapacity in the industry, particularly in major metropolitan areas.

"Tiger welcomed the return to a free market system," he said.

Appeal for moratorium on Natal education job losses

B/Day 4/3/91 (30)

COMMERCE and industry have called for a moratorium on the scrapping of more than 2 000 of the 5 000 posts in the Natal Education Department until such time as a new education system is in place.

Business Day Reporter

The weekend appeal was made through the office of the Private Sector Education Council (Prisec) whose members include Sacob, Seifsa, the Afrikaanse Handelsinstituut, Bifsa and the Chamber of Mines.

Prisec said it noted "with grave concern" the announcement arising from an emergency meeting between officials of the Natal Education Department and the Natal Teachers' Society held late last month.

"This stated that more than 2 171 of the 5 000 posts in the Natal Education Department will be slashed while thousands of posts in the Department of Education and Culture in the House of Assembly will be lost.

"Prisec has no quarrel with logical moves towards an increased staff-/pupil ratio for white pupils, especially if this is seen as a device for bringing about a radical reduction of the present unreasonably high ratio for black pupils."

However, it said, any decisions taken in respect of education must consider the changes with which the whole education system is to be confronted as a result of political and constitutional developments.

It said at the opening of Parliament on February 1, the President announced government's intention to rationalise the duplication in management of state departments, including the education departments.

"On Monday February 26 1991 the State President's and the ANC delegations met to discuss the education crisis which resulted in a working group being set up to work towards the development of a new education era for the country," the statement said.

It added it was already clear that when a new system was devised it would not be based on the present form of racially segregated education departments as the system had been made "totally illogical" in the absence of the Population Registration and the Group Areas acts.

It said it would be a tragedy if highly qualified and dedicated white teachers were driven from the system at a time when they would be able to work with a much wider section of the schoolgoing population.

The statement added that because of the declining numbers of white pupils, further valuable school buildings would be lost to the education system.

Trabild is knocked by interest bill

B Day 4/3/91

BEVERLY HUCKLESBY

TRABILD, the Laudium-based wholesaler and retailer of fabrics, curtains and light fittings, showed a 49% decrease in earnings a share to 4,1c (8c) in the year to end-December.

A dividend of 2c an ordinary share was declared in addition to 4,27c a preference share. 30

Turnover rose 23% to R58,8m (R47,7m) with operating income up by 18% to R5,4m (R4,6m).

The drop in attributable earnings to R1,5m (R3m) was the result of a 261% increase in the interest bill to R3,7m (R1m), due mainly to the running costs and financing of carding/duvet manufacturing plant Wolman & Co. The group's long-term liabilities more than doubled to R3,1m from (R1,1m) at the year-end.

Chairman Riyaaz Tayob said Wolman & Co demanded high levels of stock which had resulted in the increased interest bill, but that stock levels were being reduced to more acceptable levels.

"Interest should drop in 1991 as borrowings dropped in the last quarter of last year and will continue to decline in the first six months."

A new division is to be added to bolster turnover nationwide, MD Abdul Tayob added.

Nothing is small in this business

Sowetan 5/3/91

IN line with our Nation Building Campaign *Sowetan Business* today starts a series of lectures on how to draft a business plan. Today LUCAS NTULI looks at why small businesses are regarded as important.

THERE is a growing recognition that decision makers in this country are facing formidable challenges which call for far-reaching strategies.

In the short term, at least, there is a great need for creative thinking in order to create jobs for millions of unemployed people in this country.

The problem is such that companies can no longer absorb the pool of the ever growing number of the jobless. There is also little hope that formal job opportunities will be any more plentiful from these companies in the near future.

It is therefore essential that a great number of economically inactive people are encouraged to become active players in our country's economic issues.

This should take the form of encouraging them to become capable entrepreneurs in order to create jobs for themselves and others.

The growth of the small business enterprise is one of the most important future sources of employment in South Africa. It will also be essential to the long-term economic development of the country.

Small business development in South Africa is pivotal to a prosperous society. It can also be in a position to meet the growing needs of its expanding population.

Whatever the diverse aims of people of South Africa, without economic growth everything else that people want will slip out of reach.

Small business is geared to grow, particularly where it matters most - provision of employment for the large number of people entering the labour market.

It is for these reasons that small businesses find themselves in an unaccustomed position of being regarded by the Government and by big businesses as very important.

The most disturbing point is that many of these small businesses fail after having coped with the period of "survival." On closer examination, it has been proved that failure instead of success and growth is mainly due to lack of planning before going into business.

* On Thursday Ntuli will look at how a business can be planned.

MEDIA SPOT

Truworths in big mail order launch

Bday. 8/2/91

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Reports by MARCIA KLEIN

FASHION retailer Truworths is distributing almost 3-million copies of its new home shopping catalogue, Leading Concepts, in what it believes to be the biggest launch of a speciality home shopping venture in SA.

Truworths, part of the Wooltru Group, intends the division to offer customers an additional way of purchasing, and to reach a broader spectrum of the consumer market, says MD Eddie Parfett.

"Although finely focused, the new publication will offer the middle to upper income consumer products that are largely unavailable at retail outlets."

The Leading Concepts catalogue will be sent to Truworths's account holders and will also be distributed via inserts in various publications.

The announcement of Truworths's venture follows a commercial arrangement with a major London-based international home shopping company.

In terms of the arrangement, Truworths will now have access to a wide range of the latest high-tech and consumer products available worldwide.

CE of the London firm Nigel Swabey said in an interview yesterday that mail order had grown dramatically in Britain recently, and now contributed about 9% of non-food retail sales.

Although mail order had a "dowdy image" in the past, Swabey said the introduction of a major player like Truworths into mail order would give it a new respectability.

The new division will also have a "gifting service", through which direct mail products can be sent all over the world.

It also offers potential for export, and successful products made in SA may go to Britain to be sold by direct mail.

Truworths has also opened a wholesale division to handle requests for wholesale buying from its catalogues.

Leading Concepts will initially offer high-tech consumer electronics, home accessories, kitchenware, jewellery, home textiles and apparel. Orders received will be despatched within 48 hours.

Chains remain wary of townships

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BDay 5/3/91.

MARCIA KLEIN

MOST of SA's major retail chains have already positioned themselves in the vicinity of black townships, but they have been "sitting on the fence", watching and waiting before making plans to move in.

Despite President F W de Klerk's confirmation that the Group Areas Act is to go, most retailers have not made plans to move into black areas, according to Perry & Associates partner Neil Ross.

He said the position was very sensitive, and while the opportunities in the black areas were substantial, "they could be accompanied by a degree of uncertainty at the present time".

Checkers MD Sergio Martinengo said the chain had some stores in homeland areas, one of which was burnt down during the unrest which followed the Ciskei coup. These stores were 50% owned by homeland development corporations and 50% by Checkers.

The group was looking for opportunities, but there were some problems associated with going into black areas. These included finding developers or financial investors, insufficient security and lack of infrastructure in certain areas.

Supermarkets' normal trading hours were also a problem, as many township residents left for work early and returned late in the evening.

Martinengo said the view had been expressed by township mayors recently that the big retailers should come into the black areas, as money from Soweto was going out to the city. The communities "did not want the white areas to siphon out the funds from Soweto".

However, retailers would probably remain hesitant until they were assured of some security.

Pick 'n Pay director Gareth Ackerman said the group would "not go in at any time until we had spoken to the local communities". Any decision would be a business decision based on each separate operation.

OK director Melville Pels said the move into the black areas would be "a natural development for retailing groups to seek to service the black community".

Restrictions would have to be removed and financiers would have to be ready to make an investment, he said, "but retailers would need to know that they are wanted and not regarded as intruders".

Spar already operates in black areas as it acts as a voluntary group and all its stores are independently owned.

Marketing director Brian Beavon said the market would change with the removal of the Act, and competition would become greater. Spar would welcome this, he said.

However, Beavon did not think major retailers would "go rushing into the townships", because of security problems.

In the past, some Spar members' stores were burnt down, but the group consciously made an effort to ensure it was not seen as "a white front".

A Spar member owns his store and takes 100% of the profit. The Spar organisation provided a means of assisting black retailers, who make up 10% of its members.

National African Federated Chamber of Commerce (Nafcoc) director Sheiks Makhado said while he welcomed the scrapping of the Act, retailers in the black areas would not benefit.

He felt black traders would not be able to compete on an equal footing with white traders, who generally had "the money and the expertise".

He said there should be legislation to protect the black traders. This could include giving black traders access to funds or an offer of shares.

There would have to be a definite plan of affirmative action from government to ensure future black participation in the economy, said Makhado.

However, African Council for Hawkers and Informal Traders (Achib) general secretary Francis Moleko said the local retailer's business would not be taken away by the big retailers as competition would be increased. Most of the smaller traders had specialist shops which offered a particular service, often outside normal trading hours.

This view was echoed by Maponya group director Richard Maponya, who added that some thought would have to be given to the development of small traders.

Shoprite cashes in on Pepgro's strategy

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Star 5/3/91.

Diagonal Street

ANN CROTTY

With an emphasis on product, price and ambience Shoprite has been able to build market share pretty steadily over the past 6-7 years.

It is almost a carbon copy of the marketing strategy that has enabled Pep Stores to dominate its target market — the middle to lower end of the clothing market.

Both belong to the Pepgro stable and their sustained achievements represent one of the few examples where a management/marketing strategy has been successfully extended from one market segment to another.

In 1979 Pepgro bought Shoprite (an 8-store food chain) and set about applying the same formula that had produced so much profit for the Pep Stores clothing chain.

Two of the eight stores were closed. The new management went for growth, mainly organic until last year's acquisition of Grand Bazaars which had 27 supermarkets.

This shot the number of Shoprite stores up to 75 but within a relatively short time four of the GB stores were closed because they did not fit into the Shoprite mode or were not in suitable locations.

As Shoprite MD Mr Whitey Basson points out: "When you build gradually from zero to 40 you know what you have and try to nurture it all, but when you have 75 you can afford to be more choosy about what is kept in the portfolio".

According to Mr Basson he will be looking closely at all the stores and particularly closely at the older ones to ensure that they still meet with the changing requirements of the market and management.

"I would like to have a nice clean business within 12 months. And when everything has been streamlined, the company will be bullet-proof in terms of profit."

Over the past five years or so, Shoprite has built up its market share, chiefly at the expense of Checkers and OK who are the dominant players in the C-D market.

Despite its relatively high exposure to low margin food (usually around 80 percent of turnover), the group's ratios appear to be the tightest in the sector with operating margins of 2,76 percent in financial '90. The comparative figure for Checkers is 0,48 percent, for OK it is 1,62 percent and for Pick 'n Pay it is 2,58 percent.

As with all the chains over the past few years operating margins have been squeezed at Shoprite. This is largely attributed to increased shrinkage (particularly in the past 12 months) and to a lesser extent to the need to meet higher wage demands.

Shoprite's shrinkage experience is believed to be significantly above the industry norm. Part of the explanation is the group's proportionately greater involvement in the lower end of the market.

Mr Basson says the issue is being addressed through improved management control systems and industrial relations policies.

Although management is busy bedding down 70 stores, longer-term Mr Basson believes that there is room to grow to 130-140 stores. (At least one analyst believes that Shoprite might take on board some of the Checkers' stores.)

According to Mr Basson, "Johannesburg CBD and the surrounds are slightly over-traded but there is growth potential in Natal and in parts of the Eastern Cape".

Growth potential will have to wait until Shoprite's gearing moves back below the 50 percent limit imposed by group policy. Despite having to take some exposure to properties, Shoprite's gearing was minimal ahead of the acquisition of GB. It subsequently shot above 80 percent.

The fact that there is less need for Shoprite to develop its own sites (reflecting the growing attraction of the outlets) will help to relieve the pressure on financial resources. But management will have to turn the GB stores to account quickly in order to ensure a significant reduction in gearing. Analysts also believe that a rights issue is on the cards.

In terms of operating performance, Shoprite deserves better than its current 330c. That it appears to be stuck in a trading range of 250c-350c is attributed to the shortage of scrip available for trading which in turn is attributable to the very high stake that parent Pepgro holds — 79,4 percent.

The positive side of this is that there is considerable scope for Shoprite to have a rights issue without threatening Pepgro's control position.

Checkers, Metro hobble Tradegro

(30)

B/Day 7/3/91

MARCIA KLEIN

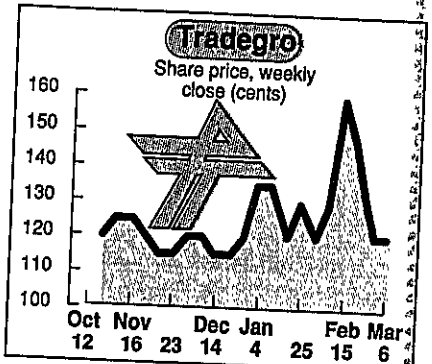
LOSSES at troubled Checkers and Metro were the main cause of retail-wholesale giant Tradegro's 23,1% decline in fully diluted earnings to 6c (7,8c) a share in the six months to end-December 1990.

Checkers posted a pre-tax loss of R467 000 (profit of R9m) after a 7,5% increase in sales to R1,7bn (R1,6bn).

The Metro Group's pre-tax profit plummeted by 80,9% to R5,6m (R29,5m) on a 23,4% increase in sales to R2,1bn (R1,7bn). Attributable losses were R325 000.

Wholly owned subsidiaries Checkers and Coreprop would be the only two companies to remain in the Tradegro fold following its proposed unbundling, which it announced formally yesterday. The Tradegro name is to change.

The announcement said consideration was being given to distributing Tradegro's and holding company Tradehold's assets.



Graphic: LEE EMERTON Source: JSE

The unbundling would follow distribution of surplus cash and "certain investments" to Tradegro and Tradehold shareholders after all liabilities had been paid.

In the six months to December, Tradegro's sales fell by 16,7% to R4,2bn (R3,6bn),

☐ To Page 2

Tradegro

B/Day 7/3/91

(30)

☐ From Page 1

and operating profit decreased by 14,8% to R70,2m (R82,3m).

The interest bill was 27,1% higher at R27,3m (R21,5m) and a 28,9% lower tax burden of R17,3m (R24,3m) saw profit after tax 30,1% down at R25,6m (R36,5m).

Interest-bearing debt increased by 45% to R124,6m (R86m).

Attributable profit declined by 22,6% to R11,2m (R14,4m) but other than Checkers and Metro, all the groups performed well, CE Donald Masson said.

In terms of Tradegro's divisions, retailer Smart Centre — bought last month by Pepkor — posted a 27,6% increase in pre-tax profits to R15,9m and a 40,2% increase in sales to R101,1m (R72,1m).

Building materials supplier Cashbuild's pre-tax profits increased by 27,2% to R8,8m (R6,9m) while sales increased by 22,2% to R196,8m (R161,0m).

Coreprop, which holds Tradegro's properties, posted a 16,6% rise in pre-tax profits to R4,1m (R3,5m) and Tradegro reported a pre-tax profit of R4,7m (R4,6m loss).

Despite the decreased earnings, Tradegro Group maintained its interim dividend of 5c a share.

Tradegro's undiluted earnings showed a loss of 0,2c (a profit of 0,8c) a share.

Holding company Tradehold posted a 3,8% increase in fully diluted earnings to 2,7c (2,6c) a share.

Nafcoc wants halt to land deals

By Michael Chester

Black business leaders launched into the land controversy yesterday, with demands that the Government intervene with an immediate freeze on buying and selling deals by speculators until new rules on land policy have been ironed out. Star 7/3/91

The National African Federated Chamber of Commerce (Nafcoc) argued that the free market system was unable to guarantee an equitable redistribution of land between blacks and whites and that State intervention was crucial.

Nafcoc also pressed the Government to identify and acquire all unused or under-utilised urban and rural land and redistribute it to the landless to put to productive use.

A full package of recommendations proposed that "as an act of good faith" the Government should take immediate action to list all of the land seized in enforced black removals in recent years and ensure it was returned to the legitimate owners.

"The 87 percent or more of land currently under white control must be transferred for business and other productive use to the 84 percent or more of the population who are unable to productively use it," said a statement.

(30)

Economic research unit director Vincent Phaahla said: "That does not mean the expulsion of white landowners.".

The official Nafcoc statement added that all so-called Trust Land must be transferred to landless communities, with consensus on proper allocations in rural areas.

Chiefs who had been rewarded with Trust Land farms "for co-operation with the racist apartheid regime" must be forced to share their land. Trust Land that had been allocated to homeland governments should be sub-divided into private farms and sold or leased to individual black farmers.

SOWETAN BUSINESS

Red tape and boycotts spell disaster for traders

Sowetan 7/3/91. (30)

By JOSHUA RABOROKO

BLACK business on the Reef is facing collapse.

A snap survey by *Sowetan Business* has shown that the reluctance by financial institutions to grant loans to black traders and the termination of essential services by local authorities as a result of rent boycotts have contributed to the plunge in sales and profits.

With the imminent scrapping of the Group Areas Act and the emergence of large supermarkets on the periphery of black residential areas, black businessmen are bracing themselves for a bleak future.

The emergence of the informal sector has also compounded the problem.

The number of hawkers and spaza shop owners is estimated at about 12 000 on the Reef alone.

"We are on the edge of a precipice and unless something dramatic happens, we are all going to be forced to close down our businesses," the president of the Southern Transvaal Chamber of Commerce and Industries, Mr Joe Hlongwane, said.

Hlongwane, who is also senior vice-president of the National African Federated Chamber of Commerce, said the death knell might affect black business countrywide.

A high-powered delegation of black businessmen was intending to see State President Mr FW de Klerk and Minister of Finance Mr Barend du Plessis to present a list of grievances, Hlongwane disclosed.

He said major financial institutions were reluctant to grant loans to blacks because "we are often regarded as risks whereas other races get assistance easily".

"The boycott of rent has caused local authorities to cut off services to businesses in the townships.

"We are told that traders have to pay, despite agreements entered into between them and the civic associations regarding the payment of arrears.

"The authorities have left us out of negotiations regarding the payment of these facilities. The termination of services has greatly affected our operations and we are facing prospects of closure," he said.

For instance, Soweto businessmen have been told to pay their rents or face prosecution because they were not covered by the accord between the Soweto Civic association, the TPA and the mayors of Greater Soweto.

The accord provided for the writing off of the R515 million arrears on rental and services for all residents.

Businessmen in other PWV areas hit by the rent boycott have received similar letters from local authorities.

An appeal has been made by their chambers to unite in their fight against the exclusion.

The president of East Rand Chamber of Commerce, Mr Joshua Nyamane, said several shops had been forced to close down in Tokoza because services such as electricity had been cut off.

Businessmen in other East Rand townships feared that drastic action would be taken against them by the authorities.

Hlongwane said chambers would consult with civic associations and other organisations in a bid to fight the rent question.

JOE HLONGWANE

The scrapping of the Group Areas Act would add salt to the injury while the mushrooming of spazas was a serious affliction, he said.

Checkers continues to add to Tradegro's woes

30

Star 7/3/91

Diagonal Street

ANN CROTTY

Tradegro's 6c (7,8c) a share earnings for the six months to end-December are in line with the market's poor expectations for this retail giant.

With Metro's disastrous figures released last week all that had to be confirmed was the extent of the damage at unlisted Checkers. Although extensive, the damage at pre-tax level was a little short of expectations for a R1 million loss. On a turnover of R1,697 billion Checkers reported a pre-tax loss of R467 000 — plummeting from the R9 million pre-tax profit earned in the six months to December '89.

Tradegro has declared an unchanged interim dividend of 5c which looks extremely generous compared with the earnings figure but is to be expected in view of the fact that the group is about to be unbundled.

An announcement accompanying the Tradegro results states that "consideration is being given to distributing the assets of Tradegro and Tradehold". After the payment of all liabilities Tradegro and Tradehold will distribute to their respective shareholders "Tradegro's surplus cash resources and certain investments."

Tradegro's remaining assets will then be Checkers and Coreprop.

The disposal of Coreprop's remaining properties (estimated to be worth around R35 million) could be achieved by June. The proceeds from this and the existing cash of over R50 million could then be used to repay preference share capital.

In addition it is understood that majority shareholder Sankorp is currently involved in discussions relating to the sale of 100 percent of Checkers. If this is achieved then Tradegro may cease to exist and Sankorp will be left with some small holdings in a few retail operations. (Metro is set to be considerably trimmed down).

A break-down of the figures for the six months to end-December show that yet again Tradegro's weak performance is due to the very poor performances reported by its major operations — Checkers and Metro.

Group sales were up 16,7 percent to R4,2 billion (R3,6 billion). Operating profit dropped 14,8 percent to R70,1 million (R82,3 million); interest payments were up 27 percent to R27,3 million (R21,5 million) leaving pre-tax profit showing a 30 percent drop to R42,8 million (R60,8 million).

Taxed profit was R25,5 million (R36,5 million). Attributable profit was down 22,6 percent to R11,2 million (R14,4 million). There was an extraordinary loss of R3,2 million compared with the previous interim's extraordinary loss of R19,1 million.

Referring to the figures, the directors note that Checkers did not achieve its target margins and this, together with low sales compounded the loss of profits.

Checkers' sales were up by 7,5 percent which reflects a drop in volume and indicates that Checkers has lost market share.

Industry sources suggest that calendar '91 continues to be tough for Checkers, with budgets not being met.

While some of the Checkers' losses can be attributed to the strike which impacted in the early weeks of the review period and also to the massive industry-wide shrinkage problem, the strong message from bottom-line performance is that it does not matter how many customers Checkers has coming through its doors, if current conditions were to continue, it would be better to close down the operation.

Or put it under management that could make profitable use of its assets — including brand names.

A STONE'S THROW AWAY ON THE CAPE FLATS

30

FOR THE FIRST TIME in the history of the Cape Town Festival, a series of events will be held on the Cape Flats. A programme of music and dance featuring khalifa displays, Malay choirs and minstrels, will be held at the Joseph Stone Auditorium in Klipfontein Road, Athlone, from Friday to next Sunday, March 17. South 7/3-13/3/91

The line-up includes rap group Black Noise, the Langa Adult Choir under the direction of Duke Ngcukana, jazz by Gerry Spencer and marimba playing by Heshoo Bishoo. (Southside).

At 3pm on Saturday, Tina Schouw will perform her jazzy/folk brand of original music complemented by Bill Knight's folk rock.

The 6pm slot features rap with Black Noise, Willem Fourie and his blues/rock group, and Edi Niederlander.

According to Temma Dean of the Joseph Stone, a wide variety of events was chosen because the musicians on the Cape Flats have such different musical talents to offer.

"Our great jazz musicians like Monty Weber and groups like Heshoo Beshoo need to be exposed," she said.

The Joseph Stone is also hosting an exciting programme of ballet and modern dance by community dance groups like Cafda, Silver Leaf, and Southern Women. Vadhini, who are reknowned for their Indian dancing, Zama Dance School from Guguletu, and Pace Dance Company will add to the feast of movement.

"People need to know the range of cultural diversity that we have in Cape Town, and dance is one way of showing this," says Temma Dean.

BUZZING

While the Stone rocks to the sound of Cape Town music, the Cape Town central business district will be abuzz with activity.

St George's Mall is to serve as the site for the largest outdoor ramp ever built in Cape Town. Each day there will be 50 fashion displays of the work of small designers as well as the extravagant fare offered by large retail outlets.

St George's Mall promises to be the heartbeat of the festival with buskers, oral poets, dancers and khalifa performers in action daily from 10am to 5pm.

St George's Cathedral will host several lunch hour concerts by a variety of musicians. On Monday, the Capab Wind Quartet will play music by Danzi, Ibert and Damase, while on Friday, March 15, the Soweto String Quartet will end the week of lunch hour concerts on a high note with music by Haydn and Chopin, as well as their own arrangements of African folk music.

The Company Gardens in Cape Town will be the prime site of a talent competition and activities for children. If you can sing, dance or rap, then you can enter the young talent competition organised by Delicia's School of Music.

Auditions will be held for the following groups 0-9, 10-14, 15-18. Successful aplicants will be allocated a heat time between March 9 and 15 at allocated times on the Festival Stage outside the South African Museum in the Gardens. The finals will be on Sunday March 16 at 3pm.

To arrange an audition, phone Delycia's School of Music at 94-2334. □

SOUTHSIDE

ARTS & LIVING SUPPLEMENT OF SOUTH NEWSPAPER • MARCH 7 TO MARCH 13 1991

South 7/3-13/3/91 (Southside)

THE CAPE TOWN FESTIVAL has in the past had very little to do with the cosmopolitan culture and character of Cape Town. Largely a promotional event for the City's businesses, previous festivals were, in the words of the Mayor, Mr Gordon Oliver, "disasters".

Not only were the festivals financial disasters but they also attracted the wrath of Cape Town's progressive organisations who boycotted the event because it was seen to cater only for the interests of Cape Town 's white business community.

No attempts were made to involve representatives of black communities in greater Cape Town. The banning of the Towards a People's Arts Festival in 1986 and the involvement of the South African Defence Force and the Police in festival programmes during the State of Emergency, only served to exacerbate the hostility. (30)

This time around, after numerous consultations with community organisations like the Muslim Judicial Council, the Cultural Workers' Congress and the African National Congress, Cape Town's marching mayor Gordon Oliver, has managed to spearhead a festival with a difference.

"The aim of the festival is to involve all the people of the City, especially the people of the Cape flats and the townships," says Oliver.

According to Mr Omar Badsha of the Federation of South African Cultural Organisations (Fosaco), it was agreed as a direct result of consultations that Fosaco had observer status on the Festival Committee. At present the committee is run by business representatives and Captour. In addition it was agreed that the antique festival at the Castle would be withdrawn from the programme because it represented the SADF.

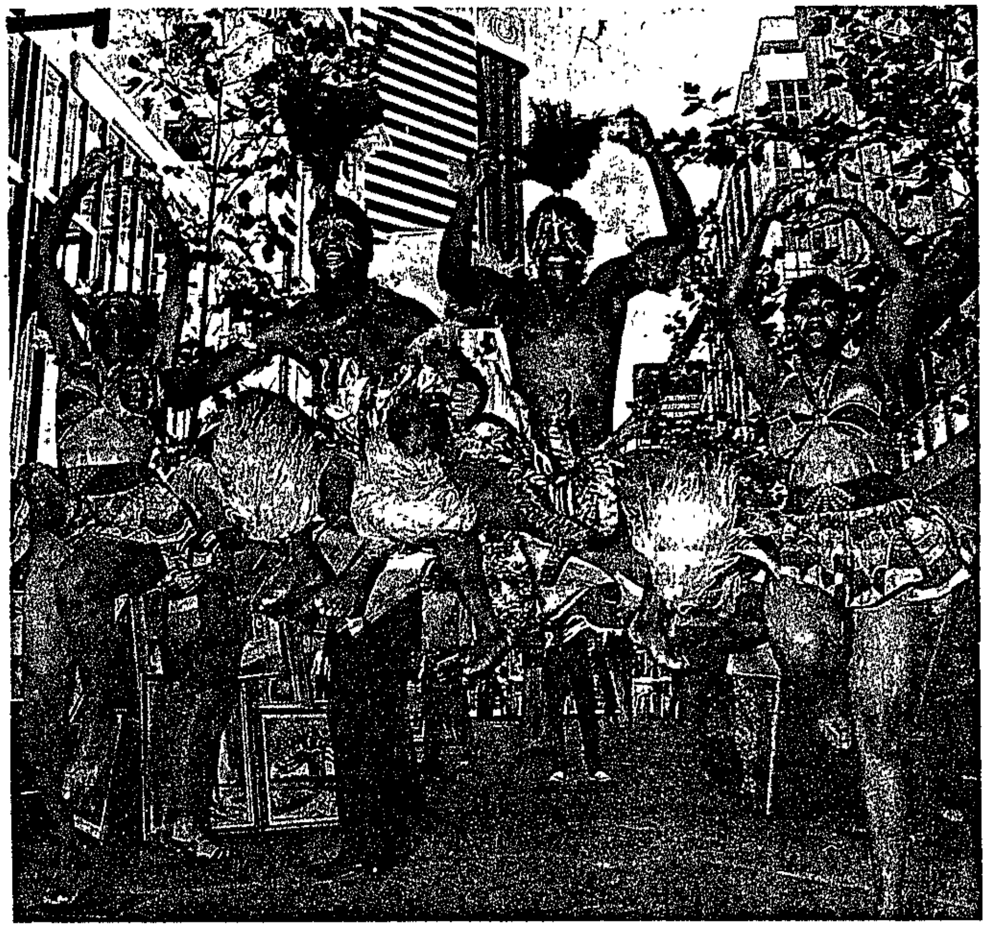
According to festival organiser Adele Lucas, the consultations have definitely paid off. "Groups like the MAPP musicians and CAP are taking part and we've managed to secure a programme at the Joseph Stone Theatre in Athlone," she said.

While Lucas admits that Badsha's observer status "practically speaking did not amount to much", it is hoped that from next year community organisations will be able to handle offshoots of the festival in the townships.

John Walter, coordinator of the Community Arts Project Theatre Company, said the festival gave CAP's new theatre company an opportunity to work in street theatre.

"The advantages on a company level is to get publicity and profile in Cape Town. Essentially we want to build a

CONTINUED ON PAGE 2



The Amabutho Zulu Dancers of Nyanga. PHOTOGRAPH: Solly Shorkend

FESTIVAL WITH A DIFFERENCE

South 7/3-13/3/91 (Southside) (30)

For the first time, the Cape Town Festival planners have attempted to include all the communities of the City in the festival activities which start on Friday. HEATHER ROBERTSON investigates why the festival has been such a 'disaster' over the years.

CONTINUED FROM PAGE 11

FESTIVAL WITH A DIFFERENCE

South 7/3-13/3/91 (South side) 2 30

tradition of street theatre in Cape Town."

For Temma Dean of the Joseph Stone Theatre the festival will bring a wider audience to the Joseph Stone. "A lot of people feel that Athlone is dangerous. The festival gives us an opportunity to expose our talent to greater Cape Town," she said.

The Mayor is adamant that next year there must be more people from the Cape Flats involved in running the festival.

"I don't want the communities to be involved in an Uncle Tom sort of way, they must be involved in the planning from the start," he said.

Mr Vincent Colby, a trustee of MAPP, was less optimistic. "Looking at it purely in terms of the benefit of musicians, it's a good thing. But one has to ask from a community point of view, at the end of the festival, who is better off? The Mayor, the businesses, or the people of Cape Town?

Referring to the ANC's consultations with the Festival Committee, publicity secretary Mr Trevor Manuel said the organisation appreciated the initiative of the organisers to keep the ANC fully briefed on developments around the festival.

He added that it was the ANC's belief that joint participation in cultural activity contributed significantly to nation building.

"The struggle is not only about things that are angry, about marches and meetings, about talks and court cases", he explained. "It must also be about things joyful, about sharing, about expression."

This may be so, but for many sceptics when Mr Oliver leads the "happy Cape Town festival march" through Adderley Street, it will be but one small step towards representing the culture of the City.

"If you want a festival of the arts we feel that the council should play a greater role in funding cultural activities," said Omar Badsha.

"At present it grants R4million to the Cape Town Symphony Orchestra. It needs to support other arts projects on a more long-term basis."

These are just some of the issues that will have to be addressed in the development of what could become one of the most significant events in the Western Cape arts calendar. □

New R9-m business 'hive' for Jo'burg CBD

30

Star 7/3/91

By Michael Chester

The small business sector has moved deeper into the economic mainstream with the launch of a R9 million multiracial industrial and retail complex that will house at least 200 new mini-companies near the heart of Johannesburg's city centre.

It is the newest and most ambitious project yet launched by the Small Business Development Corporation, which has long been at the forefront of campaigns to remove the entanglement of rules and regulations that shunted the informal sector to the sidelines of the business world.

"We have already invested about R15 million in the creation of as many as 400 mini-businesses on the outskirts of the municipal boundaries, but this marks a significant new high profile in the central business district," says SBDC manager Terry McLaughlin.

The complex, named City Hive, adds to the network of "industrial hives" that the SBDC has established around the country to provide business premises where budding entrepreneurs can launch mini-companies of their own under the guidance of teams of experts.

It is a three-storey block only a stone's throw away from the bustle of Eloff Street in Salisbury Street — taken over from the Eriksen Ford company.

When conversions are completed, the three levels will cover 30 000 square metres, equal to about five rugby pitches and divided into a beehive of between 200 and 250 mini-businesses.

The ground floor is being converted into a stylish shopping mall lined by stores for make-and-sell traders — from arts and crafts experts to furniture makers and dress and jewellery designers.

"The fashionable display windows and store layouts where shoppers can browse and watch the craftsmen at work promise to give the informal sector an entirely new image," says Mr McLaughlin. "We're tremendously excited about the concept — and so the public will be too."

The top two storeys will be taken over by workshops engaged in everything from arts and crafts, printing and signwriting, to the manufacture of clothing and footwear.

Also on hand will be training and support services as well as financial and marketing specialists to advise fledgling enterprises.

"Members of the general public, who sometimes think the informal sector is confined to hawkers and street vendors, will be astonished to see how far the small business sector has come since the old apartheid regulations started to crumble," says Mr McLaughlin.

"A whole new generation of business entrepreneurs is emerging.

"Moreover, with black and white entrepreneurs working shoulder to shoulder to win a foothold in the economic mainstream, the entire operation gives real meaning to slogans about a New South Africa."

Pepkor to take over Frasers stores for R13m

B/Day 8/3/91

(30)

MARCIA KLEIN

PEPKOR is to make its second acquisition of a Tradegro company.

Pep Limited, in the Pepkor fold, is to acquire the assets of the 42-outlet Frasers mine stores chain from Tradegro subsidiary Metro at net book value of about R13m, Pepkor chairman Christo Wiese announced yesterday.

This follows Pepkor's R31m acquisition of Tradegro's 47% interest in retail clothing chain Smart Centre Holdings on February 21.

The mine store chain is part of Metro's conventional wholesaling and mine store arm D & D H Frasers, whose management failed on Monday last week in its bid to buy out the company. The new acquisition will be effective from March 25.

Frasers mine stores sell clothes, textiles, hardware and toiletries at mines on the Witwatersrand and in the Free State, and the combined turnover of the 42 stores is about R36m a year.

Last week Metro executive chairman Donald Masson said Metro's rationalisation would include "closure of the conventional wholesaling division and disposal of the mine stores and other small businesses", and would include reduction of borrowings through asset liquidation.

He said yesterday that disposal of the mine stores was in line with Metro's stated intention of concentrating on its core business, which was cash and carry wholesaling through Metcash, and was part of an "overall plan to reduce overheads and liquidate assets".

Wiese said yesterday that the acquisition "would expand and complement Pep Stores' existing activities by providing it with a new niche within the framework of its mass market operations".

The mine stores had a well-established trading identity, efficient housekeeping, administration and control systems.

"By integrating these outlets into Pep's purchasing and management structures, we envisage considerable cost saving and expansion opportunities," he said.

Frasers' identity would be maintained and the stores would be managed as a new region within Pep Stores retail. Regional store management and store personnel would be retained.

In Metro's annual report for the year to June 1990, former MD Tony McDiarmid said the mine stores had an exceptionally good year in the light of the unrest and retrenchments experienced on the mines.

At the December 1990 interim stage, Masson said that Frasers had turned in a "disappointing performance".

Foschini's cherry on top: a R40,4m scrip dividend

B Day 8/3/91 30

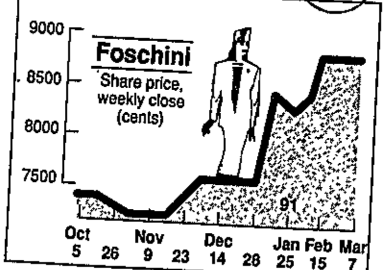
LESLEY LAMBERT

CAPE TOWN — Foschini has declared a share dividend, in addition to a 225c cash dividend, from this year's retained earnings.

In an innovative move to expand its share base and boost the marketability of its ordinary shares, the group will distribute an additional scrip dividend of R40,4m, or R91 a share, for the financial year to end December. The issue price is based on the ruling price on the Johannesburg Stock Exchange on February 27.

Shareholders will receive one new ordinary share for every 23 ordinaries held.

The clothing and jewellery retail group has reported another year of consistently good performance with earnings a share, before extraordinary items, growing 34,6% to R74,8m. This translates into 762,2c a share on an increased share base.



Graphic: LEE EMERTON Source: JSE

Turnover grew by 24,3% to R821,9m after a strong second half in which all operating companies achieved healthy levels of merchandise clearance. Directors said all trading companies — Foschini, American Swiss, Markhams and Pages — made consistently good contributions to bottom-line profits.

Tight control of capital expenditure enhanced operating profits which grew by 35% to R168,9m, but directors stressed that investments in strategic projects, such as information technology and new stores, was not curtailed. Thirty new stores were opened during the year.

Directors said the 40,8% increase in the interest bill did not reflect the trend in borrowings which had declined by the end of the year. Although no figures were provided for borrowings, the directors said the interest-bearing debt:equity ratio had declined from 41% to 28,5%.

Lewis Foschini Investment Company (Lefic) reported 31,9% growth in attributable earnings to R36,6m, or 386,5c a share.

Business 'needs uplifting Budget'

BDay 8/3/91

SYLVIA DU PLESSIS

THE 1991/92 Budget should be designed to restore business confidence, support it and create conditions for future economic growth, SA Chamber of Business (Sacob) chief economist Ben van Rensburg said yesterday.

Addressing a media briefing, he said it was "crucial" that business sentiment be propped up by general policy measures.

His appeal follows the release of Sacob's February business confidence index, which shows the SA business mood dipped to a 51-month low of 87,3 — its fourth consecutive fall — after sliding to 87,6 in December/January.

It also follows a top level Sacob meeting with Finance Minister Barend du Plessis this week, at which the chamber pressed for budgetary concessions such as company tax cuts and the scrapping of import surcharges on capital goods.

Van Rensburg said the further dip in the index, based on the movements of major economic indicators, suggested the business mood may now have stabilised.

But while overall business reaction to President FW de Klerk's speech to Parliament last month had been positive, there were still enough other political and economic uncertainties to keep business confidence "fragile".

"The volume of transactions on the JSE, for example, has declined sharply in the past few months, mainly as a result of investor caution," he said.

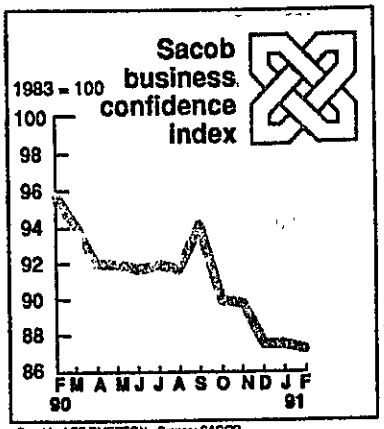
Despite that, emerging evidence — including a levelling off in liquidations — indicated business sentiment and the economy might be bottoming out.

And the end of the Gulf war had improved growth prospects for most SA exports and lowered inflationary expectations.

"Although business confidence remains vulnerable, it may now have the potential to show some recovery in the months ahead. This will also depend on the maintenance of an appropriate economic and political environment.

"Against this background the role of the forthcoming Budget is crucial. If properly framed, it could make a major contribution to the creation of a more favourable investment climate and the strengthening of business confidence."

Sacob's February survey of confidence levels in the manufacturing sector revealed a further improved outlook in both the short and medium term. But that could still be the result of seasonal factors, economist Keith Lockwood warned.



Graphic: LEE EMERTON Source: SACOB

Pepkor takes over Frasers mine stores

(30)

By Ann Crotty Star 8/3/91.

Just two weeks after announcing the acquisition of Smart Centre, Pepkor has announced the acquisition of a second Tradegro operation.

This time it is the assets of the 42-outlet Frasers mine stores chain. It is being bought from Metro at net book value of approximately R13 million.

The stores (which have a combined turnover of approximately R36 million per year) retail clothes, textiles, hardware and toiletries at mines throughout the Witwatersrand and the Orange Free State.

The stores are part of the D&DH subsidiary of Metro, which in turn is a subsidiary of Tradegro.

D&DH, which has an annual turnover of around R320 million, is to be considerably trimmed down as part of a plan to refocus troubled Metro.

Last week Metro management announced that a management buyout offer (from the D&DH management team) had been turned down because the sum offered fell way short of the net asset value of the group as reflected in the Metro accounts.

Referring to the mine stores acquisition Pepkor chairman Christo Wiese said it would expand and complement Pep Stores' existing activities by providing it with a new niche within the framework of its mass-market operations.

Mr Wiese said the Frasers' mine stores identity would be maintained and the stores would be managed as a new region within Pep Stores Retail.

Given the massive retrenchments being effected by the mines, the next few years could be tough for the stores in their traditional form.

Foschini improves earnings by 33%

OMC 1 (4) B 8/3/91 30 ( ) BDay

Business Editor

FOSCHINI has lifted earnings by ~~an impressive~~ 33% in the year to December 31, to 762,2c (573c) a share.

This was achieved on a 24,3% rise in turnover to R821,9m (R661,1m), indicating a widening of margins in spite of difficult trading conditions.

Operating income rose by 35% to R168,9m (R125,2m). But the interest bill was 40,8% higher at R20,1m (R14,2m).

Pre-tax income was R148,8m (R110,9m) and after-tax income R74,8m (R55,6m). Net income was R73,3m (R55,6m).

The rise in earnings per share was achieved on an increased number of shares, to 10,2m (9,7m).

The final dividend is 225c a share. In addition to this cash dividend the directors have declared a share dividend of R40 391 711 out of the current year's retained earnings.

This will be satisfied by the issue of ordinary shares based on a price of R91 each — the price at which they were trading on February 27.

Shareholders will receive one of these new ordinary shares for each 23 held. Fractions of a share will be paid in cash on or about April 12.

Chairman Stanley Lewis explained at a press conference yesterday that although he believed it was the first time shareholders had received a scrip dividend in addition to a cash dividend in SA, it was common practice in the US.

He said some US companies paid dividends only in scrip.

It would have the advantage of making Foschini shares more marketable, in addition to strengthening the balance sheet by increasing shareholders' funds. This was likely to have the effect of increasing the share price.

Lewis said the board would consider shareholders' reactions and a scrip dividend might be paid annually.

He said trading in the first two months of the current financial year had continued at the same level as in the previous six months.

The group was planning for "moderate real growth" in 1991. It was committed to opening 15 new outlets in the current year. Others might be opened in addition to this.

Foschini gives bonus to shareholders

30

By Ann Crotty Star 8/3/91.

Retail group Foschini has sustained its excellent track record with a sterling 33 percent advance in earnings to 762,2c (573c) a share for the 12 months to end-December.

A final dividend of 225c a share has been declared for a total of 311c (242c) for the year.

In addition to this cash dividend the directors have decided to offer a scrip dividend with shareholders receiving one new ordinary share for every 23 held. Fractions of a share will be paid in cash based on a share price of R91.

Turnover for the 12 months was up 24,3 percent to R822 million (R661,2 million) while operating income shot up 35 percent to R169 million (R125,2 million).

This means that despite tough economic conditions, Foschini was able to lift its operating margins from 18,9 percent to 20,5 percent.

After tax of R74 million and an extraordinary item of R1,5 million, net income for the year was R73,4 million (R55,6 million).

Sacob indicates economic downturn may be bottoming out

By Sven Lünsche

Star 8/3/91

30

The SA Chamber of Business (Sacob) says recent economic evidence suggests that both negative business sentiment and the economic downturn may be bottoming out.

Releasing its Business Confidence Index (BCI) yesterday, Sacob's economist Dr Ben van Rensburg said although the business mood continues to be fragile — the BCI hit a four and a half year low of 87,3 in December — there are signs that the recession may be bottoming out.

These include a levelling off in liquidations and a decline in the insolvencies among companies and individuals.

Furthermore, says Dr van Rensburg, Sacob's survey of manufacturers in February revealed a further improvement in the outlook for the sector.

"The diverse picture may mean that — although business confidence remains vulnerable — it now has the potential to show some recovery in the months ahead.

"This will also depend upon the maintenance of an appropriate economic and political environment and against this background the role of the forthcoming Budget is crucial," Dr van Rensburg says.

He adds that a number of factors have helped to remove some uncertainty in the business sector.

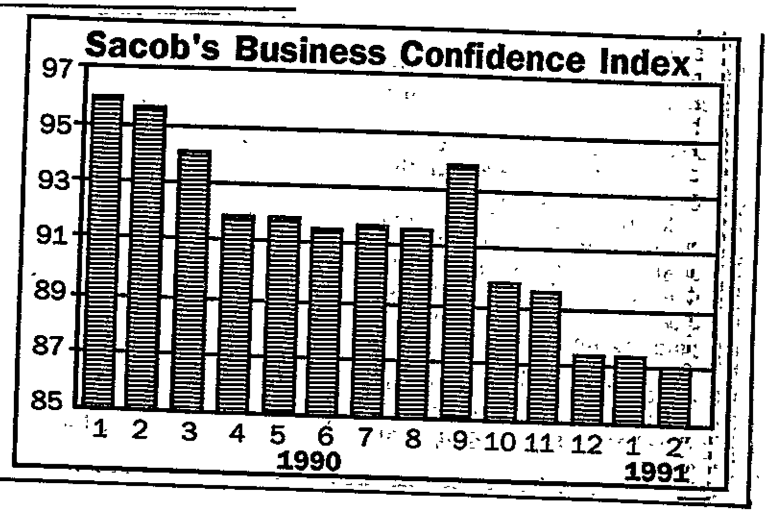
The end of the Gulf war, for one, has improved the growth prospects for most South African exports, and lowered international, and local, inflationary expectations, while the lower oil price will reduce the import bill significantly.

This is supported by the fact that SA's much improved acceptability internationally allows it to take advantage of the better growth outlook for the world economy, giving merchanise exports a much needed boost.

"On the down side, the fact that the war has caused little in the way of inflationary pressures does mean that the outlook for gold must continue to be bearish, so the net impact on export earnings is likely to be limited," Dr van Rensburg says.

On the domestic front business confidence was adversely affected by the lower disposable income of individuals, as a result of higher umemployment, declining wage increases and the tight monetary policies.

"The fairly sharp decline in the levels of domestic credit extension in recent months suggest that fewer individuals are now purchasing on credit with the result that growth in private consumption expenditure could well decline in the coming months," Dr van Rensburg says.



BREAD INDUSTRY (30) FM 8/3/91

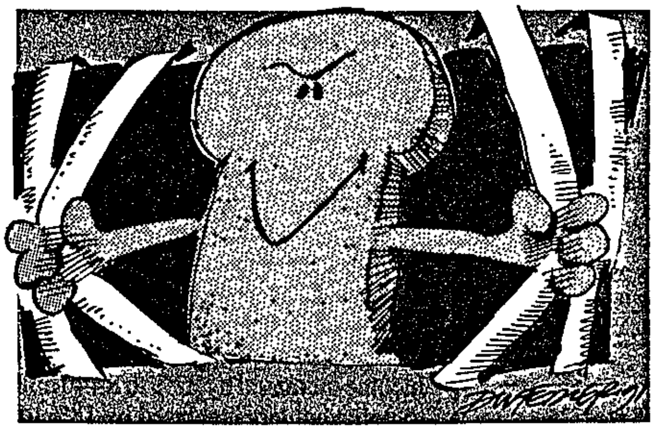
A REPRIEVE FOR THE CARTEL

After years of talk, government finally abolished the bread subsidy last week, as well as the restrictive bakery registration rules. In theory, the baking industry is now open to competition, bread prices have been deregulated, and retailers can add any margin they like.

But government is under attack for not completing the job — the Competition Board has allowed the baking cartel to continue its market sharing agreements until the end of the year.

Board chairman Pierre Brooks says the board granted the baking industry time to phase out its arrangements because the existing structures developed, with government's blessing, over a 50-year period.

"This industry is dominated by a few large institutions, of which six, representing about 85% of the local market for standard bread, form part of the agreement," Brooks says. "The sector is dominated by Premier Milling, Fedbake, Bokomo and three others, which are vertically integrated by being involved in flour milling."



The pact between these big groups prohibits bread sales above agreed-upon quotas and outside allocated zones. If these rules are broken, penalties must be paid. But these arrangements obviously worked against competitive pricing principles.

And, by allowing an extension of this arrangement, government has opened itself up to sharp criticism.

"Why, if it was aware for years of its own policy decision to abolish the subsidy and deregulate the industry as of March 1, did government not simultaneously abolish the quota system?" asks Shoprite MD Wellwood Basson.

"By extending these arrangements, bread prices might form a new platform and it could be difficult to drive them down again in the future," he adds.

Basson's group now sells 800 g brown bread at 98c a loaf, which is less than 1c less than the official price of R1,05 for a 850 g loaf determined by government on November 1. He says that if his own baking capacity was bigger, he could hold prices down. But because his group is forced to use outside bakers, he is subject to prices set by the industry.

Pick 'n Pay CE Raymond Ackerman is more confident. "We now receive a large number of discounting offers from various bakeries and should be able to keep bread prices within reasonable limits." Pick 'n Pay priced the new, smaller brown bread loaf at 99c, a slight increase over the old price, but has been undercut by 1c by Shoprite.

"We welcomed the deregulation of the industry and hoped it would lead to tougher competition between bakeries to the benefit of consumers," Basson says. "Instead we now have increases in bread prices that could probably have been prevented if the bakeries used the deregulation to fill their spare capacity, which resulted from past zoning allocations. But, while the zones are being scrapped, the quota system is retained, which still prevents real competition."

Consumer groups are not happy with government's timid approach. "The board seems to listen to big business and not to the consumer," says Housewives' League president Lyn Morris.

She adds that while the league is against food subsidies or other subsidies, government has failed to replace the bread subsidies with other forms of assistance — even though it planned for years to abolish the subsidies. She favours assistance targeted at the poor by instituting feeding schemes for groups such as schoolchildren and pregnant women. For the unemployed, economic growth should be the objective — not handouts that are easily abused. The league opposes food stamps because of the enormous bureaucracy they tend to create.

Nevertheless, there is little doubt that competition in the baking industry should create a better deal for consumers — notwithstanding the abolition of the subsidy. For one thing, the quality of bread should improve dramatically as the domination of the standard government loaf dwindles and bakers begin to compete more on the basis of taste, size, variety and packaging.

"Bread produced in SA is of a consistently high quality," says Patrick McLaughlin, a Tiger spokesman, "but what will happen now is that the industry will become more market orientated and respond by producing exactly what the public wants." ■

Checkers is up for grabs

(30)

S/Times 10/3/91

CHECKERS, the multi-million rand retail group, is up for sale and its survival at stake, managing director Serge Martinengo said last night.

By DAVID CARTE

With 168 stores nationwide, Checkers is one of SA's biggest food chains with an annual turnover of R3,5-billion.

It has long been marginally profitable and in the six months to December made a small loss.

Mr Martinengo said: "Marinus Daling, the managing director of our holding company, Sankorp, told me recently his group wants to get out of Checkers. At least two companies — Bidcorp and Prefcor — have looked at it and turned it down."

Former Checkers managing director Clive Weil now works for Prefcor, the Durban-based controller of Beares and Game that declined to buy.

Mr Martinengo said: "I am very unhappy about it and am staying on board only to fight for the 18 000 people working here.

"What I will resist to the end is an asset strip. I'll fight any consortium of foreigners coming in through the financial rand to take out the assets."

Mr Martinengo said Checkers had an enormous asset base. It leases all its stores but he said fixtures and fittings were worth R500-million. In addition, the stock was worth R250-million.

"It's a national asset and it would be a disaster if it ever closed its doors. Not only are the 18 000 jobs at stake, there are about 11 dependants per employee. And there are dozens of shops employing hundreds more in Checkers centres that depend entirely on us.

"I believe in the long-term future of Checkers. We have struggled to clean it up. It is debt-free and in an upturn. I believe it can make substantial profits."

Mr Daling confirmed that a consortium of Israelis is currently negotiating to buy Checkers. He said if Sankorp received an acceptable offer it would consider it very seriously.

"Obviously we would prefer it if they kept on running it as a going concern."

Mr Martinengo did not know what price Sanlam, which controls Checkers, was asking but analysts said it would be worth at least R150-million — far more than any management buyout could handle.

Distribution of listed equity lifts Tradegro

(30)

S/Times 10/3/91

Business Times Reporter

TRADEGRO shares put on a few cents to 140c, not on results but on the prospect that the group's listed equity will be distributed to shareholders.

Tradegro will be left with property group Coreprop and supermarket chain Checkers. Smart Centre has already been sold.

In the six months to December, the group raised turnover by a sixth to R4,2-billion. But Checkers made a loss and Metro not much profit.

The group made a loss of 0,2c a share after debenture interest and preference dividends. On a fully diluted basis, Tradegro earned 6c a share, and paid an ordinary dividend of 5c.

Suncrush continued to light the way. The cold drinks bottler did not put a foot wrong in increasing turnover and profit by 29% and 28%, respectively. Sales of R231-million gave rise to pretax earnings of R42-million and earnings a share of 773c in the six months to December. The dividend was lifted 30% to 125c.

Cadswep increased turnover to R538-million, but lower margins on confectionary and higher finance costs kept the rise in profit to 14%, at 100,5c a share.

Safren expects acceptable second-half profits to go with those achieved at the December interim. Attributable earnings were 11% up at R120-million. Kersaf made the biggest improvement in contribution, chipping in R57,5-million. Rennies made R19,4-million and Safmarine the rest. Dividend cover was maintained at 3,7 times earnings.

Foschini continued to deliver the goods in 1990. Turnover at the clothing and jewellery retailer rose by a quarter to R821-million but earnings were a third higher at 762c a share.

Foschini aims to increase scrip tradeability by issuing one share for 23 held as a scrip dividend. Fractions will be paid out at R91 a share. Holding company Lefic will do the same, one for 22 at R45.

Boat

The chips were down for fishing stocks. Namfish — now controlled by a Norwegian consortium — could not pay a final dividend and expects to pay none in the foreseeable future. Funds will be applied to social projects and increasing employment opportunities.

Car dealers all smiles over changes to VAT

S/Times 10/3/91 (30)

By DON ROBERTSON

USED car dealers are overjoyed with the changes that will be made to the sale of vehicles detailed in the new VAT draft legislation.

It was previously believed that VAT would not be payable on used cars sold by private individuals, but that cars sold by dealers would be subject to VAT.

The National Automobile Dealers' Association (Nada) made representations to the government in September and almost all of its recommendations have been agreed to.

Price

Dealers feared that, in terms of the draft legislation, most used car purchases would be done on a private basis to avoid VAT.

When VAT was introduced in Germany and other countries, used car dealers lost a lot of business to private sellers because of the difference this made to the selling price.

SA's VAT Bill provides for a system of notional input tax credits which, in effect, means that although used cars sold by dealers still carry VAT, it will make a negligible difference to the selling price.

Assuming that the VAT rate is 10%, a car sold by a dealer will, other things being equal, cost only 1,5% more than one sold privately.

"This is marvellous news," says Motor Industries Federation executive director Vic Fourie.

"And, generally speaking, buying through a dealer gives the purchaser more protection because he has some comeback if things go wrong."

Wider publication of this news may help to stimulate the used car market, because some dealers believe the current slump in sales is partly due to buyers waiting for the introduction of VAT so they can buy their vehicles tax free from private sellers.

The government has also agreed that company cars can be treated in the same way as other capital goods and that VAT on them is subject to rebate on company tax.

Errol Richardson, chairman of Nada, explains that if, for instance, a dealer buys a car for R22 000 from an individual, the dealer may write it in his books at a price of R20 000, assuming that VAT is introduced at 10%. He may then add his mark-up — say 15% — which would set the resale price at R23 000.

The 10% VAT of R2 300 which would be added to this figure would leave the total resale price at R25 300. With the notional input tax credit of R2 000 when the car was purchased by the dealer, a total VAT of only R300 is payable.

The same VAT amount would be liable on a private deal, but it is unlikely that the government will collect this.

Mr Richardson says that, because the VAT element on dealer sales is small, it is unlikely that buyers will resort to private sales to avoid paying VAT.

Mr Richardson says that the new regulations could give the used car market a much needed boost and new car sales could also benefit because of the dispensation offered on company cars.

● **VAT and financial services**
See report, Page 4

BUSINESS DAY,

New vehicle sales 'could drop further'

B/Day 11/3/91.

MARC HASENFUSS

COMBINED new vehicle sales declined further during February, dropping 4% to 26 855 (27 860) units compared with the same period last year.

This was shown by National Association of Automobile Manufacturers of SA (Naamsa) figures released at the weekend.

The current slump in new vehicle sales could intensify in the next eight months as input tax credits, available from October this year under the value added tax system (VAT), were expected to keep prospective buyers at bay, said Econometrix's Tony Twine.

He expected new vehicle buyers qualifying for an input credit to wait until October to purchase, instead of buying now and paying GST.

Sales in heavy commercial vehicles (HCV) fell a hefty 32% to 446 (656) units.

Light commercial vehicle (LCV) sales decreased 13% to 8 581 (9 919) units, and medium commercial vehicle (MCV) sales decreased 15% to 412 (486) units.

An improved inventory position contributed to a modest improvement in February car sales, which rose 4% to 17 416 (16 799) units.

Twine said the declines in LCV and MCV sales were in line with expectations, but HCV sales were extremely weak.

"This segment is seeing the reluctance of consumers to spend on capital goods ahead of the introduction of VAT."

This could cause sales distortions to spread to other segments as certain LCVs and MCVs qualified for input credits under VAT, Twine said.

A car, for VAT purposes, refers to a vehicle with more than two wheels, constructed wholly or mainly for the carriage of passengers.

KPMG Aiken and Peat tax expert Andre Meyburgh said where a company acquired a panel van or bakkie, which had been constructed for the delivery of goods, as a fringe benefit for an employee, the company would be able to claim input tax.

In addition, companies could claim an input tax credit on repairs and maintenance to its passenger vehicles.

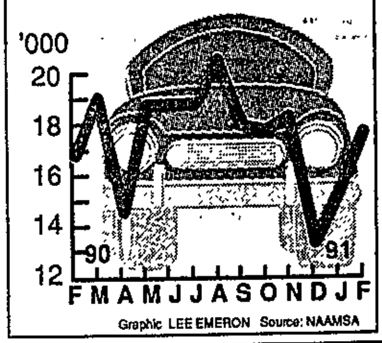
Combined vehicle sales for the first two months of 1991 were down 4% against the same period last year.

Naamsa expected trading conditions in all segments of the motor industry to remain extremely difficult.

Naamsa director Nico Vermuelen said that during 1991, the SA motor industry faced a scenario of declining new vehicle sales at a time of rising costs.

Tractor sales for February fell 27% to 256 units compared with 351 units in February 1990, SA Agricultural Machinery Association figures show.

New car sales



Graphic LEE EMERON Source: NAAMSA

Next phase of Cape docks project launched

B Day. (30) B Day 11/3/91

LESLEY LAMBERT

CAPE TOWN — Work has started on the second phase of the R2,3bn Victoria & Alfred Waterfront development which is turning Cape Town's docklands into a thriving leisure and entertainment area.

About R130m will be invested in 16 new restaurants, 140 specialty shops, 12 cinemas, a fish and fresh produce market and a wine centre, bringing the managing V & AW Company's total financial commitment to almost R200m.

The success of the first phase — core restaurants, a hotel and a retail complex — has exceeded expectations. In the eight weeks after the project opened in mid-December, it attracted 1,2-million visitors.

The stream of visitors has remained constant, averaging 20 000 a day. Restaurants and pubs are fully booked day after day and many specialty store owners say turnover in their harbour outlets is higher than in the CBD and other areas.

The new specialty complex will be completed by October next year. It will run from Kings Warehouse, alongside Ferryman's Tavern, over a basement parking garage which is being excavated at present, to Quay 5 on the waterfront.

Efforts to raise R40m for an aquarium are succeeding, according to V & AW PR Maureen Thomson, and the project is likely to be put out to tender before the end of this year with construction expected to begin in October or November.

A townhouse complex in the upper tank farm opposite the old quarry is also on the drawing boards and construction of about 1 000 units should begin early next year.

Thompson says the V & AW Company envisages a 10-year project with direct investment of up to R2,3bn.

The first phase of the conversion project involved the servicing and redevelopment of the Pierhead's historic core.

Work on the first phase began in January 1990 when the waterfront was converted into a massive construction site as new services were installed to enable existing buildings to be used again.

New vehicle sales running at low levels

30

Star 11/3/91.

By Sven Lünsche

South Africa's motor industry faces a tough year ahead, as declining sales volumes will be coupled with rising costs for spares and labour.

The National Association of Automobile Manufacturers of SA (Naamsa) reported on Friday that new vehicle sales fell by almost 10 percent in January and February this year compared with the first two months of 1989.

Last year total new vehicle sales dropped by over 18 000 units to 334 777 units and Naamsa has recently forecast a further decrease in 1991 to around 322 500 units.

According to the Naamsa figures, the weaker sales trend in evidence during the last quarter of 1990 — when car sales fell by 13,5 percent compared with the previous quarter — had continued during the first two months of 1991.

The lower new vehicle sales are a reflection of the slowdown in economic activity levels, and trading conditions in all segments of the industry are expected to remain extremely difficult, Naamsa commented.

Sales of new passenger cars in January and February, at 32 505 units, were 1,7 percent below the industry's sales recorded during the first two months of 1990.

Sales of light commercial vehicles and minibuses for the first two months of 1991 were down by 13,6 percent to 16 552, while sales of medium and heavy commercial vehicles showed declines of 21,1 percent to 694 and 28,4 percent to 869 respectively.

Combining these figures total new vehicle sales in the first two months fell from 54 295 in 1990 to 50 620 units this year. On a monthly basis February sales of 26 855 outstripped the 23 765 unit sales recorded in January.

● Tractor sales for February fell by 27 percent from the level achieved in the same month last year, Sapa reports.

Figures released by the SA Agricultural Machinery Association, show that February's sales decreased by 95 units to 256 units. Year-to-date sales of 395 units are 28,3 percent lower than for the same period in 1990.

Premier's one cent has no monetary value

Ster 12/3/91 (30)

Diagonal Street

ANN CROTTY

Analysts believe that there will be an accommodation between Sankorp — Tradehold's controlling shareholder — and Premier over the issue of the one 1c redeemable preference share that Premier holds in Tradehold. This accommodation may centre around plans for Metro following any unbundling of Tradegro.

The one 1c preference share appears to play a frustrating or nuisance function for the management of Tradehold and has no role in the day-to-day running of the organisation.

The share, which was originally issued by Natie Kirsh's Kimet group to Premier has been passed on through the various restructurings and is now part of the Tradehold share capital. According to notes in the annual report the preference share is redeemable in July 2002 at par.

"The holder is entitled before that date to 16,364 percent of the surplus, after repayment of all capital and premium on all preference and ordinary shares on the winding up of the company.

"The share carries no other dividend or voting rights except that the shareholder is entitled to vote at any meeting of the company on a resolution which affects the rights attached to such share in which event the share carries voting rights equal to that of the total number of ordinary shares in issue at the time of such meeting."

Kimet help

The share was apparently issued to Premier as part of a deal which involved Premier lending Kimet R9 million to help it fund the acquisition of the Metro group back in the '70s. It appears to have been done with the intention of frustrating any action that might subsequently have been taken to wind up Kimet.

Last week it was announced that "consideration was being given to distributing the assets of Tradegro and Tradehold" later this year. After the payment of all liabilities Tradegro and Tradehold will distribute to their respective shareholders Tradegro's surplus cash resources and certain investments.

Unless there has been a marked and inexplicable change from the balance sheet position at end-June last year it is unlikely that after repaying all capital and premium on all preference and ordinary shares, there will be anything else left to distribute.

According to the end-June balance sheet Tradehold's distributable reserves were in deficit. So the 16,364 percent surplus attached to Premier's share has no monetary value.

This cannot be definitely ascertained until the actual distribution date when Tradehold's various investments will be valued and calculations involving hundreds of permutations are completed.

Voting rights

If there was any dissension between Premier and Sankorp, analysts believe that a court would view the planned distribution in species and capital reduction as a winding up. However it is uncertain whether or not Premier would be able to enforce its voting rights in meetings called to discuss an unbundling.

But for the moment all of this is hypothetical. Although there have apparently been no direct communications between the two groups, indications are that they have an amicable relationship and both are keen to resolve the unbundling situation satisfactorily.

But as Premier is reported to be interested in the future of Tradegro subsidiary, Metro it is possible that it may be able to strike some sort of bargain. This is likely to be an offer of last right of refusal which means that Premier would have the opportunity to match any offer made for Metro.

Checkers sale announcement

MARCIA KLEIN

30

TRADEGRO parent Sankorp would make an announcement today about negotiations for the sale of retail giant Checkers, informed sources said yesterday.

An industry source said an Israeli consortium, believed to be representing an international consortium, was unlikely to asset-strip the 168-store chain.

There were indications that the consortium "wanted to stay in the business". BDay 12/3/91

He said no other players were involved in the negotiations, which were not likely to be concluded by today.

Checkers, which was estimated to be worth at least R150m, last week reported a pre-tax loss of R467 000 (profit of R9m) for the six months to December.

This came on a 7,5% increase in sales to R2,1bn (R1,7bn).

Options left open for Tradegro minorities

(30) 6/Day 13/3/91

MARCIA KLEIN

MINORITY shareholders of retail giant Tradegro and its pyramid holding company Tradehold will be in a position to choose which of the group's companies they wish to remain invested in following the unbundling of the group.

Sankorp GM investments Etienne Le Roux said in an interview yesterday that the unbundling would result in investors holding shares "directly in the group's individual companies instead of via controlling companies".

In terms of the unbundling, the group's investments — including Tradegro's cash — in its underlying companies would be proportionally distributed among all Tradegro and Tradehold shareholders.

After unbundling the control pyramids, Sankorp intends selling its interests in Checkers, Metro, Coreprop and Stuttafords/Greatermans. "We intend disinvesting if we get acceptable offers, but Cashbuild is not for sale," Le Roux said.

He said the offers to minorities would have to be made by any purchaser of Sankorp's interests after unbundling so that minorities "could make their own decisions".

After unbundling, Tradegro would own only Checkers and Coreprop, which would be effectively listed, and Tradegro's name would probably be changed to Checkers.

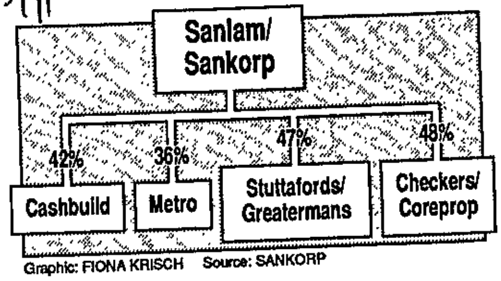
Stuttafords/Greatermans would be recapitalised in the unbundling process and would also be listed.

Sankorp planned to complete the unbundling before June 30 — which is Tradegro and Tradehold's financial year-end.

By this stage Sankorp would hold 42% of Cashbuild, 36% of Metro, 47% of Stuttafords/Greatermans, and 48% of Checkers/Coreprop.

If Sankorp's interests in the companies were sold, "it would be a prerequisite that the buyers make an offer to minorities", Le Roux said.

Sankorp was negotiating with interested parties



Graphic: FIONA KRISCH Source: SANKORP

for the sale of individual companies, but no offers had been made. Although quite a few people had expressed interest the sales were not going to happen overnight, he said.

Le Roux did not think any buyer would asset strip any of the companies as had been suggested. "To do an asset strip of Checkers is not easy, and this would be the worst prize for any buyer."

He believed the "Israeli consortium" interested in Checkers/Coreprop was actually an SA-based consortium with overseas financing. Despite the interest, no offer had been made yet because the parties were still investigating the company, he said. The consortium had assured Sankorp that it did not want to asset-strip Checkers.

Le Roux said if the consortium bought Checkers and Coreprop, management would probably be kept on. "The interested party was not in the business and would need SA management," he said.

However, "if we do not get acceptable offers, we will do what we can to get certain operations back to profitability".

Le Roux said following the unbundling, he would expect the various boards of the different companies to be reconstituted over time. In all probability Tradegro CE Donald Masson would retire.

Le Roux said a problem with unbundling was that marketable securities tax — of 1,5% on the value of shares unbundled — was a hindrance. However, Sankorp had decided to go through with the unbundling.

Sankorp to sell most Tradegro holdings

MARCIA KLEIN

(30)

SANKORP, the industrial holding group of Sanlam, intends selling its interests in Checkers, Metro, Coreprop and Stuttafords/Greatermans after the unbundling of their pyramid company, Tradegro. But Cashbuild is not for sale, Sankorp announced yesterday.

After unbundling — which will see investments in Tradegro's underlying companies being distributed to shareholders of the holding companies — Sankorp will hold about 42% of Cashbuild, 36% of Metro, 47% of Stuttafords/Greatermans and 48% of Checkers/Coreprop.

Tradegro, whose only assets will be Checkers and Coreprop, will probably change its name to Checkers. A prerequisite for the sale of the companies is that buyers must make an offer to minorities.

● See Page 11

BDay 13/3/91

Sankorp pulling out of Tradegro

(30)

Star 13/3/91.

By Ann Crotty

Six years after acquiring the assets from the troubled Kirsh Trading Group and, having committed considerable funds and management time to it, Sanlam/Sankorp is withdrawing from Tradegro.

Yesterday Sankorp announced that it intended selling its interests in Checkers, Metro, Coreprop and Stuttafords/Greatermans after the end-June unbundling.

It is difficult to ascertain exactly how many hundreds of millions of rands Sanlam/Sankorp pumped into the troubled retail giant over the years but at this stage it looks as though they will be walking away with around R150 million in cash — if they manage to sell all but one of the retail interests.

In addition they will have a 42 percent stake in Cashbuild which, on current market prices, is worth about R35 million.

Reason for the unbundling is that the current market price of Tradegro and Tradehold is much lower than the value of the underlying assets. The unbundling is expected to unlock this value.

At present Sankorp has a 74 percent stake in Tradehold which in turn has a 54 percent stake in Tradegro.

After the unbundling, which is expected to be concluded by end-June '91, Sanlam/Sankorp's interests in the retail sector will comprise a 42 percent stake in Cashbuild; a 36 percent stake in Metro; a 47 percent stake in Stuttafords/Greatermans and; a 48 percent stake in Checkers/Coreprop.

(These stakes include Sanlam's portfolio investments).

If things go according to plan all of these retail investments — with the exception of Cashbuild — will be sold. Sankorp will hold Tradehold which will be a shell. Tradegro will comprise only Checkers/Coreprop — there are plans to sell this investment.

After the unbundling Tradegro minority shareholders will hold some cash, shares in Stuttafords/Greatermans, shares in Cashbuild and, shares in Tradegro which will relate to Checkers/Coreprop.

On the basis of the current market price of 380c a share, Sankorp's stake in Cashbuild is worth around R35 million. Also on the basis of the market valuation, Sankorp's stake in Metro is worth about R75 million.

Stuttafords/Greatermans is estimated to have a net asset value of around R35 million which would make Sankorp's stake worth about R16,5 million.

Checkers/Coreprop, which are regarded as being inextricably linked because of property commitments, have a combined price tag of around R115 million.

Natie Kirsh . . . interested in Metro?.

It is understood that negotiations are currently in progress for the disposal of Metro, Stuttafords and Checkers. But on the basis of past experiences it seems that these sort of negotiations can easily be thrown off track.

An Israeli consortium is understood to be the party currently most interested in Checkers.

A number of parties is reported to be interested in Metro, including Premier, Brian Joffe and Natie Kirsh.

At this stage it seems that a management buyout at Stuttafords is a likely option.

Sankorp stresses that it is not a forced seller of the unbundled holdings and if it does not receive a satisfactory price it will hold on to its various interests.

Sanlam moved in to take control of the troubled Kirsh Trading Group (KTG) in October '85. It was widely regarded as a rescue bid which staved off the likely collapse of the retailing giant that Mr Natie Kirsh had built up.

At that stage Sanlam already had a 49 percent stake in KTG. The rescue bid included a R190 million capital injection and the issue of equity and preference shares. In July 1986 it was renamed Tradegro.

Attempts to get the group on to a more profitable track included additional capital injections and a major reorganisation of the group under Mervyn King.

But it seemed that no amount of reorganising or additional funding could get Tradegro to generate a reasonable return on its underlying assets.

The inability to produce a reasonable return explains the current massive discount between the Tradegro share price and the price of the underlying assets.

Analysts believe that the core problem was that onwership and ultimate control of the operations was too far from the front line.

Retail activities require a much more hands-on management style with decisions being taken close to where they are acted upon.

Transforming townships

BDay 14/3/91 30

IAN CLARK

THE scrapping of the Group Areas Act removes the restrictions on white-owned businesses from trading in the townships. Do the opportunities provided by this change outweigh the costs? Nafcoc for one believes they do not.

The Nafcoc argument reported in last Monday's Business Day, that supermarkets should be kept out of black townships in order to protect black retailers is, however, simplistic. Why should black retailers be protected at the cost of black consumers? It is more realistic, as Achib suggests, to promote specialist outlets which have natural, consumer-oriented advantages over chain stores. Such an advantage need not be any more costly or complex than the extended trading hours of a spaza shop, or the ability to sell goods in small quantities (for example, single cigarettes or sweets) to the very poor.

The issue runs much deeper than a simple consumer/retailer clash of interests. The question is whether the townships can ever be transformed into suburbs, with the usual suburban amenities.

Urban townships in SA were created as worker dormitories. Business was limited to convenience stores located, designed and built by the local administration boards. Products which could be sold were limited to grocery items, with everything else being bought in the "real" business areas in white towns.

These stores were rented, and licences issued, at the discretion of the township manager. Often licences and leases were "sold" for a monthly fee. This fee was increased if profits went up, actively discouraging improvement to the business. Alterations to buildings ran the risk of incurring the disapproval of the owner of the building, and the original licence holder taking possession of the business before the investment could be recovered.

Today with chain stores on the periphery of the townships, and spaza shops in the centre, the retailer is being squeezed out of existence. Businessman Joe Hlongwane believes township retailers are "on the edge of a precipice" with no hope of an internal solution.

Everyone is losing. Residents have to travel long distances to buy products not available in the townships and pay high prices for those that are. The low level of local business activity provides few opportunities for would-be formal business.

The business activity centring on a township chain store would create business opportunities for local entrepreneurs, as well as lower prices for shoppers. Niches will open up for specialist satellite stores, and shoppers will be attracted back to the areas in which they live.

The opportunities created would initially be for businesses providing consumer products and services, such as pharmacists, bookstores, greengrocers, educational suppliers, electronic equipment suppliers, clothes stores, toy shops, estate agents, medical services, florists, insurance brokers and tutors.

In time, these businesses would generate further opportunities for suppliers of business products and services.

Is it realistic to expect the chains to move into the townships? No, not as things stand.

Not only is there the obvious and vexed issue of security, but other perhaps subtler issues need to be addressed. Electricity is a good example of these issues. Even where rent boycotts are not a problem, township electricity is supplied intermittently. This is bad enough for a family, or any small business requiring refrigeration facilities. For a hyperstore it is simply not viable. Nor is the alternative of an independent supply of electricity acceptable. A lit-up supermarket blazing out in solitary glory while everyone else in the area fumbles for candles and paraffin lamps is asking for swift retribution. The same goes for other township services.

It is inevitable that townships will remain ghettos unless they become the focus of significant formal economic development.

Innovative ways will need to be found of making both residents and retailers with a high level of expertise come together to mutual advantage. For example, mobilising stokvel and savings club funds to give residents a share in their suppliers' success will not only give these funds a better return than they now enjoy but will also enhance the relationship between customer and retailer.

The removal of racial legislation by mid-year will not only open up opportunities for business, but it will also give township communities the chance of shaping their own destinies. Individuals and groups with this vision will take the initiative to ensure that this happens to the advantage of all.

☐ **Clark is the director of Wits Business School's Centre for Developing Business.**

Angry importers slam new duty on video cassettes

30

BDay 14/3/91

PETER GALLI

SA VIDEOTAPE suppliers have lashed out at government's imposition of an amended duty on all imported unrecorded video cassettes.

The new duty, gazetted on Friday, was "supposedly" designed to protect SA's local videotape manufacturing industry, industry spokesmen said yesterday.

However, the country's only manufacturer — FX Marketing — was recently liquidated, which meant there was no need for protection. The end-user would have to bear the additional cost, they said.

Deputy Trade and Industry Minister Theo Alant said yesterday the fact that the local manufacturer had been declared insolvent did not mean production of the product was terminated.

"Should local production be terminated altogether, any party is entitled to apply for a reduction in the duty," he added.

In terms of the amended duty, a charge of 10% or R3,50 — whichever is the greater — will be levied on tapes less than an hour long, and the greater of 10% or R5 will apply for tapes over an hour long. A 90% deduction of their free on board (FOB) value is made on these amounts. The move is effective from March 8.

Alant said current duties on cassettes under an hour long were the greater of 10% (ad valorem) or 350c and 10% (ad valorem) or 500c for those over an hour. A 90% ad valorem deduction is then made.

"The formula duty comes into effect when the products are imported at disruptively low FOB prices below the reference prices of 350c and 500c each. This has the effect of increasing the landed cost to the importer to just above 350c or 500c per unit," he said.

One industry source, who declined to be identified, said total duties on a two-hour tape of $1 amounted to 65% before the amended duty was introduced. Under the new duty, this had surged to 204%.

In addition to the amended duty, a 15% surcharge is also imposed.

Magnetic audio tape and film products supplier Worldwide Zonal MD Ron Singer said the amended structure would have the largest effect on tapes in the price range of $0,90 to $1,50. These tapes are mainly used in the professional industry.

The industry source questioned whether government's motive was to protect the "non-existent" local industry. It was more likely government wanted to increase its revenue ahead of expectations of reduced surcharges in the Budget.

Alant emphatically denied this.

Video communications distributor TL Electronics MD Howard Sidelsky said videos played a major role in SA's communications development, especially education.

Alant said prices of cassettes used for educational purposes would probably only be subject to 10% ad valorem duty.

15/6

COMPANIES

Strong demand boosts Ellerines by 27%

B/Day 14/3/91

MARCIA KLEIN

STRONG demand for household durables was reflected in furniture giant Ellerine Holdings's (Ellerine's) 27% increase in earnings to 375c (296c) a share in the six months to end-February.

Ellerine's ongoing expansion programme, which saw it open 17 new stores during the six-month period, helped it "increase its penetration of the middle and upper-middle markets", and helped boost turnover by 30% to R311,3m (R239,4m), chairman Eric Ellerine said yesterday.

Operating profit rose by 35% to R51,6m (R38,1m), "reflecting continuing tight asset management and control of expenditure".

Net interest received almost halved to R1,3m (R2,4m), reflecting a reduction in liquidity attributable to the cost of the expansion programme and the increase in turnover, Ellerine said.

This brought pre-tax profit up by 30% to R52,8m (R40,5m).

Current and deferred tax increased by 35% to R25,9m (R19,2m) — Ellerine provides fully for deferred tax.

This resulted in earnings after tax being 27% up at R26,9m (R21,3m).

Results came off a high base, Ellerine said, and earnings had grown by an average 26,5% a year over the last five years, and by 55% a year over the last two years.

Comparable results for the interim period to February 1989 have been restated "to take account of additional tax on deemed SA income which only came about after the release of the prior year's interim results", he said.

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As the interim dividend could not be adjusted, Ellerine said the 15% increase to 125c (109c) a share should be seen in this light. A cover of three times was maintained.

Ellerine said the group was confident of its ability to maintain its performance over the next six months.

The group had planned a further 10 to 12 new stores for the remainder of the current financial year, and Ellerine would also continue with the programme of upgrading existing stores and merchandise, he said.

JD rides high on buoyant conditions (30)

B Day 14/3/91

MARCIA KLEIN

BUOYANT trading and tight financial controls saw furniture retailer J D Group boost its earnings by almost 40% to 143,2c (102,6c) a share in the year to end-December 1990.

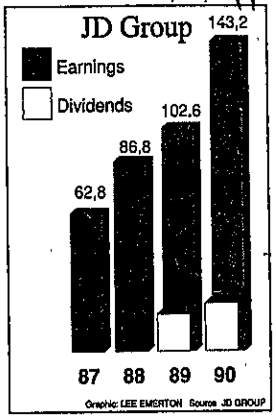
The 50,1%-held W & A Investments subsidiary, which has 178 stores countrywide, increased its turnover by 36,9% to R645,7m (R471,7m) and operating profit was 25,7% up at R83,6m (R66,5m).

"The vigorous growth in discount chains Price 'n Pride and Joshua Doore — which traditionally work on lower margins than Bradlows and Score Furnishers — led to a reduction in operating margins from 14% to 13%", chairman David Sussman said in an interview yesterday.

The swing by consumers towards discount chains was natural under the economic conditions prevailing in 1990, he said.

Bradlows and Score increased their turnover by 21,6% and 38,9% respectively, and their respective chains' contributions to JD's profits showed increases of 27,1% and 60,4%.

These were lower than contributions by Joshua Doore, which increased its turnover by 33,5% and its chain contribution by 79,3%, and Price & Pride, which increased its turnover by 56,8% and its chain contribution by 90,6%.



Sussman said although turnover increased significantly, "the greatest care was taken to maintain and improve the quality of the group's largest financial asset — the debtors' book". The book grew by 38% to R529m, and arrears came down from 7,4% to 6,1%.

Although the debtors book grew, turnover increased dramatically, margins were affected and suppliers terms reduced, gearing at 54,2% (54%) had hardly moved.

The final dividend was raised from 11c a share in 1989 to 14c a share for 1990, bringing the full-year dividend up by 29,4% to 22c (17c) a share.

Dividend cover was increased from 6 to 6,5 times so as not to declare dividends out of retained earnings and to maintain reserves. In this way it was possible to protect the capital base of the company, Sussman said.

JD Group, which provides for deferred tax on a partial basis, would therefore still have sufficient retained earnings to meet any changes in Section 24 allowances. The tax authorities were looking at amending the way tax was calculated for businesses offering hire purchase facilities.

The group was monitoring the situation, but Sussman said "the company would be able to meet any possible liabilities that would arise".

Attributable income for the year broke through the R50m mark, rising by 39,6% from R37m to R51,1m — this has more than doubled since 1987.

Sussman said: "We were delighted with the results, and the group was fortunate in that its trade covered a broad spectrum, with the chains having clear identities".

Furniture retailers hitting the jackpot

(30)

Star 14/3/91

Diagonal Street

Jabulani Sikhakhane

Sales of household durables are still growing strongly despite tougher economic conditions, as buoyant profit announcements from two furniture retailers, Ellerines and JD Group, show.

In the six months ended-February, Ellerines's sales grew 30 percent to R311,3 million from R239,4 million. Owing to tight asset management (which reflects improvements in the debtors' book) and expense control, operating profit grew 35 percent to R51,5 million from R38,1 million.

The JD Group, which reports for the year ended-December, shows a similar picture. Turnover was up 36,9 percent to R645,7 million from R471,7 million. Despite this strong turnover growth — a large chunk of it from HP sales — JD managed to bring down arrears to 6,1 percent from 7,4 percent.

Both retail groups are still forecasting satisfactory growth in the months ahead, provided there is no deterioration in the economy or the political enviroment.

JD's earnings rose 39,6 percent to 143,2c from 102,6c. A final dividend of 14c has been declared to make total of 22c (17c), which is covered 6,5 (6) times.

The directors say that at the end of 1989 they believed there would be a reversal in the foreseeable future of timing differences in Section 24 allowances, and there was a need to provide for deferred taxation on the partial allocation method.

Taking into account the 38 percent growth in its debtors book, revised forecasts indicated that timing differences would not reverse in the future. Therefore the R22,4 million provision for deferred tax existing at year-end December 1989 was no longer required. This, excluded from determination of after-tax income, was transferred to retained earnings.

Cash sales

Reviewing the results, JD Group chairman David Sussman says cash sales as a component of turnover dropped slightly. This accounted for the 38 percent growth in the debtors' book to R529 million (R378,0 million).

To finance this growth in debtors, long-term borrowings increased 45 percent to R115,2 million from R79,2 million and financing costs rose 32,5 percent to R21,9 million (R16,5 million).

As a result, the group failed in its aim of reducing gearing below 50 percent which by year-end was up slightly at 54,2 percent.

Turnover at R645,7 million was up 36,9 percent from 1989's R471,7 million. But a swing to discount chains, Joshua Doore and Price 'n Pride (which traditionally operate on lower margins), depressed group margins which fell from 14 percent to 12,9 percent.

This restricted growth at the operating profit level to 25,7 percent to R83,6 million from R66,5 million. Because of the higher finance charges, pre-tax income grew 23,4 percent to R61,709 million

Ellerines attributes the strong growth to the opening of 17 new stores, which helped the group increase its penetration of the middle and upper-middle markets.

A drop in net interest received of 47 percent to R1,3 million from R2,4 million reflects a drop in liquidity due to cost of expansion and increase in turnover. The group has no borrowings and funds growth internally.

Taxation (current and deferred) rose 35 percent to R25,9 million from R19,2 million.

This trimmed the growth at attributable earnings level to 27 percent at R26,9 million (R21,3 million) - equivalent to 375c (296c) per share.

Metair hit by drop in vehicle sales

30

BDay 15/3/91

MARC HASENFUSS

METAIR Investments, Wesco's 42% held automotive component manufacturer, showed a 38% drop in earnings a share last year on the back of declining new vehicle sales.

Attributable profit slipped 38% to R8,6m (R13,9m) or 153c (245c) a share for the year to end December 1990.

Metair's replacement market was badly affected by the economic downturn and turnover increased 7% to R330m (R309m).

MD Alan Plummer said substantial losses were incurred at two operating companies. In previous downturns the replacement market had reacted in an anticyclical manner to vehicle sales, he said.

An unchanged dividend of 63c was declared. The inclusion of a R2,8m extraordinary item further reduced attributable profit to R5,8m.

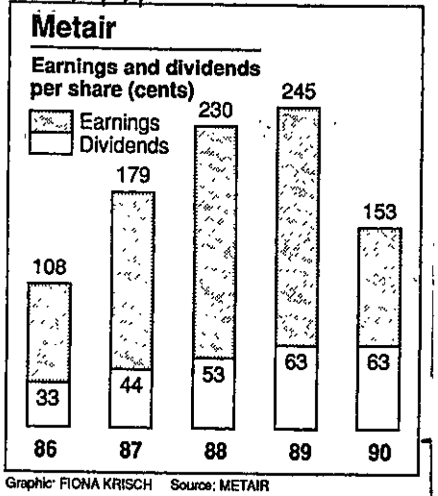
The extraordinary item represented the net effect of tax payable on a reversal tax allowance claimed on fixed assets in previous years.

Plummer said the reversal resulted from restructuring effective from January 1990, and should result in significant cash flow benefits in the future.

He said Metair had been issued a preference share, attracting a scrip dividend which would increase its 30% stake in First National Batteries to 33%.

During the interim period, Metair acquired the remaining 25% shareholding in Motorubber for R3m.

Plummer said major extensions had been undertaken to premises and manufacturing plants at two major subsidiaries to accommodate additional business secured through the Phase VI local content programme.



Graphic: FIONA KRISCH Source: METAIR

He stressed that the full benefits of the new business would not be felt until the second half of 1992.

Despite the predicted 2-3% decline in new vehicle sales this year, both companies which experienced abnormal losses in the period under review were expected to improve their financial position.

Plummer said profits for 1991 should show a substantial improvement over 1990 but a return to real growth was unlikely before 1992.

The share moved 50c to a new high of R13,50 yesterday. It hit a R11,25 low in January.

Furniture sales boom has ended

MARCIA KLEIN

FURNITURE sales figures have begun to level off this year following the "something near boom conditions" experienced during the second half of 1990.

Furniture Traders Association (FTA) president Terry Simon said in the annual report that monthly turnover growth last year often averaged between 20% and 30% after the lifting of credit restrictions last March. B | Day 15/3/91 (30)

"This, however, was where the good news ends," he said. (86)

This year would be tougher for the industry as companies were "facing the realities of declining earnings and increased unemployment".

The industry was likely to be adversely affected both in terms of sales and collections, as the effects of the economic downturn would be felt most severely by the lower income group "which constitutes a major and growing proportion of our customers", Simon said.

The industry was working with government to achieve a mutually acceptable solution to pending changes to the debtors allowance in terms of Section 24 of the Income Tax Act.

The introduction of codes of conduct proposed last year was "a potentially harmful piece of legislation". It would be difficult to see how transgressions of such a code would be treated or how such a code could ever become law, Simon said.

The FTA believed the code was unnecessary and unenforceable.

Nafcoc walks out of Swazi conference

30

B/Day 15/3/91

TIM COHEN

MBABANE — The conference on regional economic co-operation suffered further controversy yesterday when delegates from the National African Chamber of Commerce (Nafcoc) walked out, claiming they had been upstaged by a "rival" business federation.

The Nafcoc walkout follows the refusal on Wednesday by Swazi King Mswati III and Prime Minister Obed Dlamini to attend the conference after organisers failed to invite local business representatives.

It is believed the Nafcoc walkout, led by its president Sam Motsuenyane, came after a conference session was hosted by the Foundation for African Business and Consumer Services (Fabcos).

Nafcoc is co-hosting the talks with the SA Chamber of Business (Sacob), the SA Foreign Trade Organisation (Safto) and the Herbert Quandt Foundation of Germany.

Conference organising committee chairman Francois Marais said yesterday he believed five Nafcoc delegates walked out because they believed Fabcos had been given a higher profile than Nafcoc.

Meanwhile Dlamini yesterday appologised for the "protocol hiccough" which resulted in his and the king's non-attendance at the conference.

The king was due to open the conference and Dlamini was to deliver an address at the gala banquet on Wednesday, but both did not attend the conference.

● See Page 3

Slump in car sales hits Metair results

30

Star 15/3/91

By Sven Lünsche

The slump in new car sales last year hit earnings at automotive component manufacturer Metair for financial 1990.

Attributable income plunged by 38 percent to R5,8 million (R13,4 million), equivalent to a fall in earnings per share from 245c to 153c. However, the total dividend for the year was maintained at 63c.

Turnover increased by only seven percent to R330,4 million (R309,1 million) and substantial losses were incurred by Metair's two operating companies, First National Batteries and Motorubber.

During 1990 the group gained full control of Motorubber, by acquiring the remaining 25 percent shareholding for R3 million.

First National Batteries, in which Metair holds 30 percent, was formed through the merger of Raylite Batteries and Chloride SA.

The directors comment that apart from the declining car market, the replacement market was also badly affected by the general economic conditions.

They are, however, confident that the profitability of the two operating companies in the current financial year will improve considerably.

"Major extension programmes have been made to accomodate additional business secured as a result of the Phase 6 local content programme," the directors state.

However, they add that real long-term growth in profits was unlikely before 1992, as sales of new cars are still expected to drop by a further three percent this year and the full benefits of the local content programme will only be felt by then.

Metair's holding company Wesco, however, reported a strong growth in earnings as the losses at Metair were more than offset by Toyota's good performance.

In financial 1990 Toyota's earnings rose by 28 percent. As a result Wesco's earnings per share increased from 589c to 724c, while the dividend was raised by 20 percent to 72c (60c).

15/3/91.

ER PROTECTION

clothing industry's boom in exports sparked by the adjustment programme will be severely damaged if the textile tariffs go through.

"Exports surged by 44% last year to about R170m. We now expect them to reach R300m by the end of this year and R500m by end 1992," he says.

Van Zyl's sentiments are echoed by Durban-based A M Moolla CE Sadek Vahed, who says a surge in exports will create more jobs and lead to a growing local market for textiles. "The adjustment programme benefits apply only to SA-sourced cloth. The more we export, the more they will sell to us," he says.

But Texfed's Brink counterattacks by noting that the textile industry itself has been active in the export market and has increased its export revenues from R230m in 1987 to R425m in 1990.

Federation president Ernest Wilson maintains the textile industry needs protection against "blatant dumping" by countries in the Far East.

"Should government devise an effective anti-dumping policy, we will be happy to agree to the scrapping of the existing formula duties. But local inflation has also aggravated the threat posed by cheap imports." ■

BLACK BUSINESS FM 15/3/91

MAPONYA'S REVIVAL

30

For much of the late Eighties the diverse empire of Richard Maponya, the country's best-known black businessman, tottered on the brink of collapse. Township boycotts, management talent stretched too thin, and a shortage of capital, he acknowledges, almost put him out of business.

He was rescued last year by the Small Business Development Corp (SBDC). It extended loans to several of his businesses on the grounds that, taken separately, each of his businesses is a small business. It also set up training programmes for his managers.

His conglomeration of businesses, which includes a full-service supermarket, several smaller grocery stores, dairies, bottle stores, car hire outlets and a BMW dealership, will be given a financial boost if he can carry out his plan to develop a shopping centre on 20 ha he owns in Nancefield, Soweto.

But Maponya (64) is disappointed that developers have shown so little interest in the centre, even though it would have an estimated 3m people on its doorstep. The SBDC, which has developed several neighbourhood centres, does not have the funds to become the developer.

"Building another Eastgate or Cresta is

FM 15/3/91 (30)

not our business," says the corporation's Joe Schwenke, "though we would offer finance to the smaller shops in the centre on merit." Major developers have concentrated on peripheral centres, such as Highgate and Southgate, which have given retailers access to the Soweto market without the risks of developing in the heart of the township.


Maponya

Maponya believes there is still a lot of discrimination and risk is often used as an excuse: "There is a resistance to giving meaningful loans to the black community. The stock answer is that blacks cannot offer collateral but legislation has made it very difficult for blacks to accumulate assets."

First National Bank's Rod Cusens agrees that the lack of collateral makes it difficult to use normal lending criteria for blacks. Greater emphasis is placed on the viability of the business and its long-term prospects, rather than collateral. "But you have to look at our track record. We have incurred a disproportionate amount of bad debt. Black businesses have often failed to keep accurate records, so it's impossible to assess their health."

Maponya readily admits that he has found it difficult to find the line management talent he needs to run his businesses. And being based in the townships, his outlets have had to contend with frequent stayaways and boycotts. "These have affected business in the black areas more than anywhere else," he says. "And turnover lost on a single day cannot be regained."

Carlos dos Santos of Score, which manages Maponya's Supermarket for a fee, says the unrest and boycotts certainly add to the business risk. He adds that the sales per square metre at Maponya's is very good and he would like to expand.

Carmakers have been predicting an explosion in black car ownership but until that happens the returns from his BMW dealership will not reach expectations. "That cannot take place as long as the economy is as depressed as it is, but with more blacks moving into managerial positions, the prospects can only improve," Maponya says.

BMW spokesman Chris Moerdyk notes, however, that Soweto BMW is profitable and, despite the fall in car sales, the outlet has steadily increased sales.

Maponya believes the prospects for black business would be much better if it were allowed greater access to capital and other

Continue — P

TRADEGRO FM 15/3/91 (30)

UNBUNDLING PROGRESS

Sankorp has tried for nearly seven years to get its investment in Kirsh Industries (Tradegro) to yield acceptable returns. It now intends selling its interests in Checkers, Metro, Coreprop and Stuttafords/Greatermans, after the unbundling exercise has been completed by mid-year.

Does the intention to sell all the Tradegro operating companies other than Cashbuild mean that Sankorp is admitting defeat? The answer, at least according to Etienne le Roux, Sankorp's GM investments and director of the relevant companies, is no.

He argues that the Tradegro and Tradehold pyramids have kept Sankorp removed from the day-to-day running of the operating companies. After the unbundling, Sankorp will be closer to the operating companies

FM 15/3/91 (30)

(though it is represented on these boards now anyway). Le Roux notes: "Tradegro was not good for us, and we were probably not good for Tradegro."

He says that if some of the companies are not sold, Sankorp will continue to support them and build them into profitable entities. It is not clear whether all this means that Sankorp is to depart from its stated policy of not interfering directly in the running of operating companies.

In the unbundling, the investments — including cash held by Tradegro — in the underlying operating companies will be proportionately distributed among shareholders of Tradehold. Investors will then hold shares directly in these companies. Le Roux says the programme is planned to be concluded before June 30, the financial year-end of the pyramids.

Tradegro will be left with only Checkers and Coreprop and its name will probably be changed to Checkers. After the unbundling Sankorp's fully diluted shareholdings will be about 42% in Cashbuild, 36% in Metro, 47% in Stuttafords/Greatermans and 48% in Checkers/Coreprop.

As Le Roux affirms, if Sankorp sells its interests in the companies, the buyers would have to make offers to minorities. It remains to be seen who will come forward to buy the current two problem companies, Checkers and Metro. Checkers deteriorated under Natie Kirsh's reign but never really recovered under Sankorp.

Under the entrepreneurial owner-management of Kirsh and Lionel Katz, Metro was one of the blue chips of the retail sector. But it, too, has deteriorated sadly during the past few years.

The 47% holding in Smart Centre has already gone to Christo Wiese's Pepkor for R31m; Cashbuild is not up for sale, and the only other remaining profitable company is Stuttafords/Greatermans. It is speculated that Cashbuild is to go to another Sanlam company, Murray & Roberts, where sources say they are not aware of any such developments. But Cashbuild may do best outside a large conglomerate.

Le Roux says Sankorp is negotiating with an unnamed party on Checkers, but declines to add details. He says several parties are interested in Metro — some in only parts of the group and others in all. Another two parties are interested in Stuttafords/Greatermans. According to market talk, a local jeweller is acting as a go-between for an Israeli consortium of financiers interested in Checkers. Pick 'n Pay chairman Raymond Ackerman has been mentioned in connection with Metro. Pick 'n Pay's Price Club operations could fit in well with Metro — though acquisitions have not been Pick 'n Pay's style in the past. A management buy-out is thought likely for Stuttafords.

Premier may play a key role. It holds redeemable preference shares of 1c each in Tradehold, redeemable in July 2002. The shares carry no dividend or voting rights, except that "the shareholder is entitled to

FM 15/3/91 (30)

vote at any meeting of the company on a resolution which affects the rights attached to such share, in which event the share carries voting rights equal to that of the total number of ordinary shares in issue at the time of such meeting."

Chairman Peter Wrighton declines to comment. But if Premier were to acquire, say, Metro, that could significantly enhance the group's retail investments. It has an effective 27,8% shareholding in Hi-Score, which controls Clicks Stores, Trador and Grand Score Supermarkets.

Tradegro's interim results, published this week, offer further evidence of Sankorp's inability to set its wholesale and retail arm on a sustainable growth path — and that something drastic has to be done.

The share price rose from 120c on March 4 to 150c on March 12, but Tradehold's share price has dropped from 100c to 70c over the past month.

Gerhard Slabber

Retail sector has a blue-chip look

Star 15/3/91

30

Diagonal Street

ANN CROTTY

The retail sector was one of the best places to be during calendar 1990. Even now it continues to look like one of the more secure spots in which to shelter from the ravages of the weakening economy.

Almost daily, the retail and wholesalers index edges up to new highs. Yesterday it closed at 3904. At the beginning of calendar '90 it was just above 2000.

The strength of the index reflects the blue-chip quality of the shares that make up the index — CNA Gallo, Edgars, Foschini, Pepkor, Pick 'n Pay, Waltons and Wooltru.

With the exception of Waltons all of these shares featured among the top overall equity performers in 1990.

Waltons' share price was hit by disappointing earnings' performances which reflected the impact of a number of poor acquisitions. The strength of the group's core business is expected to be better reflected in the share price performance this year.

The results that have been reported to date — and the dividends declared — have more than justified investors' confidence.

Now, having enjoyed this considerable rerating, it's a matter of ascertaining for how much longer the sector can sustain its relatively strong showing.

Syd Vianello, an analyst at Ed Hern Rudolph continues to recommend Wooltru, Foschini, Pick 'n Pay, Edgars and CNA Gallo "as core portfolio stocks".

While the more optimistic chief executives of industrial groups are targeting unchanged nominal earnings for 1991, some of the retailers believe that real earnings growth is attainable.

According to Mr Vianello: "Our forecasts for the leading retailers generally reflect a continued growth in earnings and dividends in excess of the inflation rate."

He expects the growth in nominal sales to be below 20 percent this year with real growth expected to be around 3—3,5 percent.

This will be achieved despite retail margins coming under pressure from a number of sources including labour costs, bad debt costs and continued high shrinkage experience.

Against a backdrop of real growth in earnings and dividends, one of the more compelling reasons for being a selective buyer is, as Mr Vianello points out the possible increasing difficulty in acquiring large lines of good quality stocks.

"We expect little or no new equity to be raised by the leading retailers in the foreseeable future in view of their continued ability to fund expansion from existing resources."

Factors behind Mr Vianello's bullish view of the sector include: recently negotiated wage increases reflect continued gains of around 20 percent; pent-up demand continues to be unsatisfied, especially amongst the lower income groups with expectations creating a positive spending climate; the availability of credit is much improved and; the informal sector continues to increase its employment levels.

But he cautions there is growing unemployment and heavily borrowed consumers may recognise the need to reduce their indebtness before buying yet more merchandise.

In addition black consumers may be forced or co-erced into paying for essential services.

'Snubbed' Nafcoc walks out of indaba (30)

By Ken Vernon
Star Africa Service

Star 15/3/91

MBABANE — A National African Federated Chambers of Commerce (Nafcoc) delegation yesterday walked out of an economic co-operation conference because they felt slighted when a rival black business organisation was allegedly given greater prominence.

Nafcoc was listed as co-sponsor of the conference on sub-Saharan economy and trade, and the delegation's departure is the latest in a long list of problems to hit the conference.

Sources said a delegation led by Nafcoc president Dr Sam Motsuenyane took offence when J Mogale, master of ceremonies at the conference's first-night banquet, introduced himself as a member of the Foundation for African Business and Consumer Services (Fabcos).

Nafcoc members reportedly felt this was giving too much recognition to the organisation.

Last night the chairman of the conference organising committee, Francois Marais, said Nafcoc had been invited to be a co-sponsor to prevent the perception that the conference was dominated by white organisations.

He said Mr Mogale had been invited to be master of ceremonies in his capacity as a representative of the Small Business Development Corporation.

Drive to protect black business

SATURDAY MARCH 16 1991

BUSIN

By TOM HOOD
Business Editor

EUROPEAN businesses and governments are being asked to plough millions of rands into Khayelitsha and other black townships to help small businesses.

One aim is to boost employment among cash-strapped and emerging black businessmen and help them compete against incoming white capital after the ending of the Group Areas Act..

Twelve European cities are being visited by Mr Theo Rudman, director of the Self-Employment Institute and author of business books, on a government-sponsored trip to meet European politicians, ~~government officials and top~~ management in big business.

Mr Rudman, who regularly tours Khayalitsha and other townships to teach basic business skills to emerging businessmen, left South Africa armed with videos to show Europeans the township conditions under which black businessmen struggle.

He will visit Zurich, Berne, Vienna, Munich, Stuttgart, Bonn, Frankfurt, Copenhagen, Oslo, London and Lisbon.

"I want to show what is happening in the townships with emerging business people and show what sanctions are doing at grassroots level," said Mr Rudman before leaving Cape Town.

"Having imposed sanctions on this country, the international community has an obligation to assist the massive task of providing management expertise and access to capital for emerging business people.

"There are many opportunities for joint ventures between blacks and the international community.

"I believe unemployment can be eliminated and inflation reduced to single figures by the year 2000. This has already been achieved by both South Korea and Taiwan."

The country's 4 million black school leavers in the next 10 years are faced with three career opportunities — crime, revolution and self-employment, he said.

"Fortunately for South Africa, vast numbers have turned to self-employment as a means of creating their own jobs."

"A great phenomenon is happening — the creation of wealth on the squalid squatter camps that have sprung up. The size and importance of this wealth is demonstrated by the estimated R79 million-a-year worth of business created entirely in Khayelitsha."

Mr Rudman estimated the township, a little over five years old, is settled by about 500 000 immigrants from the Transkei and Ciskei.

They flooded to the townships at 8 000 a week and had settled down to a steady 8 000 a month.

With little capital, education or help these people were creating meaningful self-employment and the squatter townships were the only places in South Africa with true private enterprise.

c/c NEWS 16/3/91

Market analysis is fundame

30 W/K ARGUS 16/3/91

ONE of the most fundamental requirements in planning and starting your own business, and ensuring that it may have survival potential, is to spend a great deal of time determining and analysing your market accurately. And, the more accurate and realistic you are in your assessment, the better equipped you will be to deal with what lies ahead.

Some of the most successful small businesses are those which took sufficient time at the outset to research their target markets in detail, and used the subsequent information to develop an appropriate marketing strategy to penetrate that market and service its needs.

Correct marketing is crucial to any business, and can directly impact on turnover, gross profit and the image projected by the enterprise.

In developing a comprehensive marketing plan and strategy, the following questions should be addressed:

- What products and/or services do you intend selling and why?
- Who is your target market and why?
- Where will you sell your product or service from and why?
- Who are your competitors and how will they affect your business?
- How will you market your product or service?

To answer these questions requires a systematic approach:

■ **Identification and analysis:** It is by no means an easy task to accurately determine and analyse your potential market, as one often has to face unquantifiable dimensions and make certain untried assumptions. It is advisable, however, to keep the following principles in mind: be painstakingly comprehensive and analyse every conceivable element; be realistic and not over-optimistic when determining your market and potential market share; ask neutral outsiders to critically analyse your market plan and proposed strategy.

■ **Market potential:** The first step is to identify and analyse the following: define exactly who your customers will be in general terms; determine the total market spending power or potential for your product/service in rand terms; define the geographical parameters of the potential market.

It is obviously not always easy to obtain this information. Often it is necessary to reply on assumptions. But there are many sources of information from which you could begin your task. Some of these include: Central Statistical Services; CSIR; Local municipalities and local authorities; National Productivity Institute; SBDC Information Bank; Small Business Units attached to the universities; suppliers of stocks and equipment; customers; libraries; chambers of commerce, trade associations; SBDC Information offices; competitors; own experience.

Some of the information garnered from these sources may sometimes be slightly dated, theoretical and not completely applicable to your venture. It means that you may have to conduct your own first-hand research. This could, however, prove to be useful learning experience and eliminate a lot of pitfalls later on.

THE Small Business Indaba is a bi-monthly column, a joint venture between the Small Business Development Corporation (SBDC) and The Argus. It is designed to offer advice to those considering entering business for themselves and to act as a sounding board for those encountering problems. For further information contact ☎438 7019.

SMALL BUSINESS INDABA

Compiled by the SBDC

■ **Target market identification:** This involves some of the following elements:

- The geographical borders/parameters of your proposed business
- Current market share of competitors
- The strengths and weaknesses of competitors
- All factors which could possibly exert an influence on your market, such as: race group; religion; age group of parents; age group of children; income patterns; behaviour patterns; number of domestic servants; rate of residential development and commercial infrastructure; services offered; access routes; proximity to other services; residential work patterns.

■ **Projected market share:** In endeavouring to arrive at a realistic projected market share, it would be prudent to scale down your target market by subcontracting the effect that every other conceivable influencing factor might have and forecasting a conservative and realistic projected share of the "cake" you may be capable of handling.

■ **Calculated turnover or sales:** When calculating expected turnover or sales, recognise at the outset that it does take time to establish a market; there may be seasonable fluctuations; and, finally, look at all possible scenarios.

■ **Market strategy:** There is a need to establish some sort of strategy which will match your products or service with the person, client or business which may have need or use for them.

An effective market strategy is one which is generally capable of explaining some of the following:

- Product or service:
  - — what product or service you are going to sell?
  - — why you believe people will buy your product and not the competition's?
  - — where are you going to buy your product or service needs from?
- Place:
  - — where you are going to operate from?
  - — why did you choose that particular location?
- Price:
  - — at what price are you going to sell your prod uct or service?
  - — how does this compare with your competitors' prices?
  - — why do you think people will by your product or service at your prices?
- Promotion:
  - — how are you going to sell/market your product or service?
  - — how are you going to promote your product or service?

The subject of market analysis and developing a marketing strategy is just one of the elements concerned with small business development that is contained in a series of practical courses being run by the SBDC from its offices at 60 Sir

— how are you going to monitor the effectiveness of your marketing strategy?

— what constraints might detrimentally affect your marketing strategy?

Lowry Road, Cape Town.

The "How to Start Your Own Small Business" addresses the basic skills required to successfully start a successful small enterprise. Vacancies still exist for aspirant entrepreneurs or those already in business to enrol in the next series of courses starting in early April. For more details concerning the courses and their content call André de Jager at the SBDC at ☎(021) 462 1910.

Checkers still up for grabs

S Times 17/3/91

By IAN SMITH (30)

DESPITE the "for sale" sign at supermarket giant Checkers, the chain will not be allowed to go under if serious buyers do not emerge.

Sanlam industrial holdings group Sankorp has opened negotiations with a foreign-backed consortium for the sale of Checkers, but Etienne le Roux, general manager, investments, told Business Times:

"If there is no sale at the end of the day we will help management a lot more to get the company making the profits it deserves."

In the year to December 31, Checkers pushed up sales by 7,5% to R1,7-billion, but it posted a pre-tax loss of R467 000, compared with the previous year's R9-million profit.

Three big groups have already looked closely at Checkers and backed away.

Last year a proposal that Christo Wiese's Pepkor group would take the entire Tradegro group — including Checkers — from Sankorp fell through, apparently over the price to be paid for the supermarket chain.

Since then, Brian Joffe's Bidcorp had a quick look, but he decided he could jeopardise too much of his wholesaling operation if he moved into supermarkets.

And then Durban-based Prefcor, the group which employs former Checkers managing director Clive Weil, decided against a serious bid.

Mr Le Roux said there had been many enquiries, but the approach by the unnamed consortium seemed the most promising. The potential bidders are still looking at the Checkers operation and weighing their options.

A firm offer is not expected in less than two weeks, possibly a month.

The consortium has given an assurance that it does not wish to asset-strip Checkers and the existing management will probably be kept on because the buyers are not in retailing.

Sankorp would like to sell Checkers after the unbundling of the Tradegro group, which is scheduled to be completed by the end of June. Sankorp could then sell its shareholding on condition that the buyers make an offer to minorities, says Mr Le Roux.

Checkers managing director Sergio Martinengo, who moved into the hot seat last December, remains confident that the chain can be returned to profitability.

"Prospects are already looking better," he says. "Many of the changes we have implemented are beginning to bear fruit."

Stuck on Tradegro

17/3/91 Sunday Times

TRADEGRO shares — an endangered species — refuse to budge in spite of an asset-strip and the likely sale of Checkers. (30)

The share was unchanged at 150c after major shareholder Sankorp laid its cards on the table.

Sankorp — itself a holding company for Sanlam's industrial interests — has already dispensed with listed holding company Federale Volksbeleggings and distributed the portfolio to members.

Tradegro is next. Its portfolio of interests will be distributed to shareholders and it is Sankorp's intention to sell off the direct stakes it accrues in unlisted Checkers, Stuttafords/Greatermans and Coreprop, and in the listed Metro. Only Cashbuild is deemed worthy of keeping.

Sankorp is looking after Tradegro minorities by insisting that the buyer of any of these companies makes an offer to all shareholders. It says it is negotiating such sales and is trying to restore profitability to the losers.

Tradegro's complex capital structure of debentures and preference shares cloud the calculation of intrinsic value per share. The biggest debenture issues were little changed on the JSE.

Truworths takes a shot at mail order

S Times 17/3/91 (30)

By JANE ARBOUS

TRUWORTHS' move into the non-clothing mail order business, an operation well outside its traditional fashion and accessories field, might be questioned by sceptics.

Greater exposure to credit sales will also surprise more conservative businessmen.

Speciality Retail Group managing director Eddie Parfett says Truworths is following an established trend in Europe and the United States and the move will allow it to exploit its account database and sophisticated credit system.

In the process, says Mr Parfett, the new venture will boost Truworths' exposure throughout Southern Africa.

The first phase of the three-million catalogue mailshot is well under way, using the retail clothing group's account holders as its base.

The next distribution channel will be inserts in newspapers and magazines. A second brochure, twice the size of the first, will be distributed at the end of May.

Mr Parfett says: "We have been looking for a long time at ways of using our infrastructure more fully. Offering non-interest credit for six months to people buying our new range of products is highly unusual in international mail-order terms, but it's not a new policy for us.

"About 80% of our core business is based on credit. We have the elements that are crucial to success in credit management, such as a central on-line credit-rating system."

The new venture, Leading Concepts, offers a range of middle to upmarket non-essential goods that are largely unavailable in SA.

Goods range from a dog repeller costing R69,95 to the world's first multilingual talking translator at R889,95; from jewellery to kitchenware and home textiles. At least 40% of the product range will be changed in each catalogue.

Truworths' decision to move into mail order follows well-established trends overseas. In Britain almost £4-billion a year is generated by mail-order sales.

In the US 10% of general merchandise sales and 3,2% of national retail sales are mail-order transactions, which account for 1,7% of GDP. Major retail chains in the US also rely on mail order to supplement their over-the-counter trade.

Truworths has spent the last two years conducting research and setting up the infrastructure for Leading Concepts.

Although the local market is small, Truworths believes there is massive potential for growth, and that there is room for high-quality, good-value products.

Mr Parfett declines to disclose the capital investment involved, except to say: "In our terms it's fairly small."

A new division has been created, with a small mangement team backed by the full Truworths management structure. A wholesale operation has also been established, which will offer trade terms for large orders.

Why Nafcoc men walked out of Swazi conference

By DERRICK LUTHAYI

30

A NATIONAL African Federated Chamber of Commerce and Industry (Nafcoc) delegation walked out of a Swaziland business conference on Thursday, saying they were not consulted in the conference preparations.

C/Press 17/3/91

The Africa Sub-Saharan Economy and Trade (Asset) conference was the first in 40 years to bring together business representatives from African countries to meet their South African counterparts.

Nafcoc says it is imperative to hold a "post-mortem" to ensure this type of experience is avoided in the future.

Nafcoc president Dr Sam Motsuenyane said the organisation found it difficult to maintain an association with a conference that had departed from the agreed objective.

The Nafcoc delegation walked out because the organisation was not adequately consulted during the conference preparations and because the agenda was finalised without its involvement.

"As co-sponsors we were not consulted in the formulation of the conference programme. The input we made was not reflected in the final programme, which differed significantly from the draft.

"Our suggestions to the conference organisers to invite representatives of Swaziland business were ignored and the government authorities were not properly and sufficiently consulted," said Motsuenyane.

King Mswati II and Prime Minister Obed Dlamini pulled out of the opening day of the conference because of a major protocol "boob" by the organisers.

Sources in Swaziland say the organisers did not formally inform and invite the Swazi government to attend the meeting and the local business community was ignored.

Sapa reports that the Nafcoc delegation was "upset" primarily because leading members of the Foundation of African Business and Consumer Services (Fabcos) had played a more public role than Nafcoc members.

"We feel there is a conflict of interests between Nafcoc and Fabcos which caused the entire Nafcoc delegation to leave," a source said.

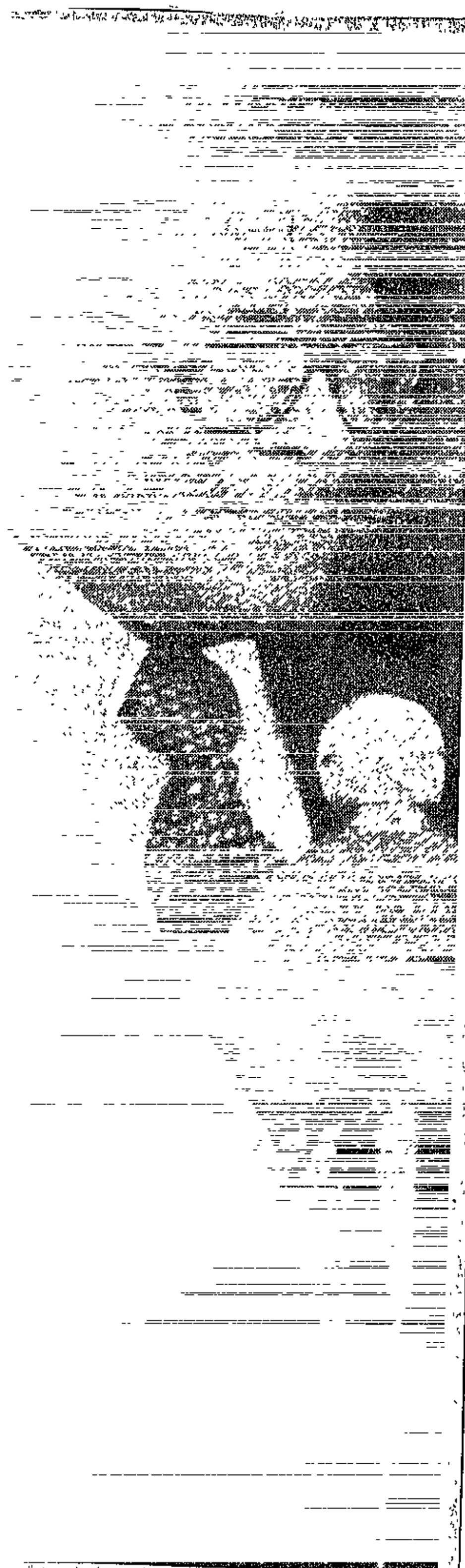
The South African Chamber of Business, which is one of the four listed conference sponsors, "insisted that Nafcoc be included in the sponsorship list", according to the source.

This was reportedly because the three other sponsors – Sacob, the Herbert Quandt Foundation of Germany, and the South African Foreign Trade Organisation (Safto) – are predominantly white business organisations.

Organising committee chairman Francois Marais said he was sorry a conference of such importance was troubled by such "fundamentally trivial" issues.

Marais added that the conference had been "an enormous success with men and women from all over southern Africa making important contacts, and addressing issues of great regional importance, seriously and positively".

A conference source said the organisers agreed to include Nafcoc as a co-sponsor because of Sacob's insistence, adding that the "only financial sponsor of the conference is the Herbert Quandt Foundation".



...yane ... complained that Nafcoc ...ed on the conference.

Sales downturn slashes results

MARC HASENFUSS 30

THE downturn in vehicle and component sales slashed Vektra Corporation's earnings 57% for the year to end-December 1990.

Directors said Vektra's operations were forced to reduce margins to defend market share against competitive pressures. Earnings plummeted to R5,5m (R12,7m) or 46,3c (108,5c) a share on the back of a slender improvement in turnover to R475m (R467m). B/Day 18/3/91.

A R1,3m extraordinary loss, arising mainly from the discontinuance or sale of businesses which no longer offered strategic potential to the group, further eroded earnings to R4m.

A final dividend of 6c was declared. The total payout was reduced to 16c (35c), covered 3,1 (2,9) times.

Directors said success was starting to show in the drive to reduce excessive stock levels in some companies.

These had risen during the first half of the year in companies that had entered into contractual arrangements for the purchase of replacement parts and used vehicles. Directors said high stock levels led to the 70% increase in the interest bill to R19m (R11m) for the period under review.

The 74,9% held W & A subsidiary has its primary listing on the International Stock Exchange in London, but as the main trading operations are concentrated in SA, the functional currency is considered to be the rand.

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(BD) MARC HASENFUSS (30)

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Sacob president John Hall, left, with Anglo American Corporation chairman Julian Ogilvie Thompson at the opening of Sacob's Transvaal regional congress in Johannesburg on Friday.

Picture: ROBERT BOTHA

Sacob clamps a lid on 'criminal ethics' motion

MARC HASENFUSS

A MOTION to discuss business ethics at the SA Chamber of Business's (Sacob's) Transvaal regional congress on Saturday was withdrawn from open discussion because of the presence of the media.

30

The motion, proposed by the Springs Chamber of Commerce & Industries, was due to be discussed during the public session of the congress but a vote was passed for it to be discussed in closed session.

In its motion the Springs chamber expressed concern over the decline in ethical standards in the obtaining and retaining of orders for the supply of goods and services. It said various criminal methods were also used to obtain payment for the placement of orders.

B/Day 18/3/91

Dangerous

Sacob president John Hall suggested the motion be transferred to the closed afternoon session due to the controversial nature of the issue.

In the ensuing debate, former Sacob president Sid Matus said the motion was "dangerous to vent and air in an open session". The Springs chamber insisted it was essential for the matter to be discussed openly.

When the matter was taken to a vote, on a show of hands alone it appeared as if most chambers wanted open discussion.

However, due to its larger financial contribution, which determines a chamber's voting power, the Johannesburg Chamber of Commerce & Industry (JCCI) used its 26 special votes to successfully remove the motion to the closed session.

The Springs chamber eventually announced the withdrawal from the congress of its motion.

In its motion proposal the chamber said it did not intend to list any individual, group or company in connection with corruption. "Our intention is to inform and advise of what is transpiring in SA."

In his opening address on Friday, Anglo American Corporation chairman Julian Ogilvie Thompson said the business community recognised that the new SA had to address deeply felt and justified grievances and, as far as possible, the aspirations of those South Africans who had benefited least from economic growth.

He said the purpose of the current debate was not to score points but to reach consensus on the policies that would best create an economy capable of generating the resources needed for social investment.

These policies should provide meaningful opportunities for individual enterprise and wealth creation, and could create more wealth by competing successfully in international markets, he said.

Oglivie Thompson said disagreements over economic policies, whether from wishful thinking, ignorance or consciously deceitful analysis, was often the root of prescriptions for the future over which businessmen and other political actors found themselves differing.

He said one goal of future economic policies had to be reduction of income disparities.

SOWETAN

Black business giants may merge

Sowetan 18/3/91 (30)

THE National African Federated Chamber of Commerce and the Foundation for African Business and Consumer Services may become one organisation.

By JOSHUA RABOROKO

Plans are afoot to merge the two major black business organisations for the sake of economic power, income and wealth distribution in the post-apartheid South Africa.

This follows an agreement between the ANC and Fabcos to investigate the possibilities of setting up a multi-lateral forum involving other black business organisations.

The two organisations agreed that regular meetings and consultations would become a feature of the coming period and thus instructed their relevant structures to establish an interim bilateral sub-committee charged with co-ordinating areas of common interest.

The meeting - the second between the two parties - is seen by business experts to be in line with similar conventions, which the ANC held with Nafcoc in an attempt to involve all the key players in the economy.

ANC deputy president Mr Nelson Mandela has also held talks with Nafcoc president Dr Sam Motsuenyane on a variety of issues as a means of allowing the chamber to participate fully in the current debate on the framing of an appropriate economic policy for South Africa.

The ANC delegation was led by the internal leader Mr Walter Sisulu and Fabcos by its president, Mr James Ngcoya, vice-president Dr Ellen Khuzwayo and members of the executive committee at the meeting.

Fabcos briefed the ANC on its structures, aims and objectives. The briefing highlighted the difficulties faced by black business in the South African environment.

Fabcos explained that despite all these difficulties, a role was increasingly being worked out for black businesses in the economy.

It became clear in the discussions that a future democratic economic system should try to encourage and support black business ownership of productive assets in manufacturing, construction and finance.

The ANC briefed Fabcos of the process leading up to negotiations and the current state of affairs in that regard.

The approach of negotiations was explained, in particular the question of an interim government and constituent assembly which will draft a new constitution for a democratic South Africa.

Commercial and industrial property

Non-residential sector slows down

B Day 19/3/91 30

ERWIN RODE

RESIDENTIAL and non-residential sectors of the property market are behaving quite differently in this business cycle.

The latest Rode Report on the SA Property Market says while non-residential indicators show no growth to speak of, house prices and flat rentals are growing in real terms.

"This is reminiscent of the situation we had in the 1982-83 recession, when house prices were oblivious of the slowdown in the economy."

The end of 1990 saw capitalisation rates for office buildings continuing their decline, with the exception of Durban, where investors are taking a cautious view because of the imminent deluge of new office space.

Industrial capitalisation rates, on the other hand, started increasing in the second half of 1990, especially in Johannesburg and Durban.

Cape Town is the most favoured city for investors. Over the past three years this city narrowed the capitalisation rate gap between itself and Johannesburg to zero.

This applies to offices, regional shopping centres and industrial leasebacks.

Over the last year, capitalisation rates for income-producing properties in the Cape declined considerably to become comparable to the best nodes on the Reef.

The decline is a reflection of changed perceptions of SA investors, who now see the Cape more favourably.

"A probable reason is political changes awaiting SA. Investors, perhaps see the Cape as more Westernised and stable in a future SA."

Property investors in the Cape made windfall capital profits in the past year, unlike in the rest of SA.

Unlikely

However, Rode says it's unlikely the drop in capitalisation rates will be repeated in the foreseeable future.

Also, market rentals have stopped growing.

He says: "The Cape party is over for now."

Property unit trusts are still more attractive than directly held property, says the report.

For offices, nominal rentals have stalled in all nodes, so they are declining in real terms.

Buoyant until now, the report says office take-up may have started feeling the recession. An exception is Sandton CBD.

Analysing the latest take-up figures calculated from Sapoa vacancy surveys, there's an indication that office take-up may be slowing in many nodes.

However, other nodes put in a surprise rally during the last quarter of 1990, making it difficult to generalise.

Measured in square metres, new office completions will fall by 16% this year compared to 1990, except greater Durban, which will see a 52% increase.

For 1992, the decline is a further 69%, but this must be interpreted cautiously, because many projects could still be announced and completed before end-1992.

"We note that in 1991 the Cape will see an increase in office construction of 12%, but greater Durban will increase by 52%. This tells us the Durban office market is heading for trouble."

Healthy

For line and CBD shops there is no nominal growth left in market rentals, despite phenomenal turnover growth a square metre notched up until end-1990 by major retailers.

The industrial market is healthy because, to a large extent, rentals and land values have levelled off in nominal terms and vacancies are not rising.

The report says contract prices are falling for both residential and non-residential buildings and at end-1990 were between 10%-12% lower compared to a year earlier.

"Non-residential building starts are moving sideways, whereas house starts have dropped through the floor.

"The latter can be ascribed to high interest rates, violence and theft in townships, labour problems, instalment boycotts and a mortgage funds shortage."

Writing in the report, director of Stellenbosch University's BER, Dr O D J Stuart, says it seems the general economy may improve during the second half of 1991.

"But it doesn't follow the building industry should also experience improved conditions before year-end."

He says conditions may remain sluggish during the year, but should improve during 1992.

Aid for the cash-strapped small businessman

THE Small Business Development Corp (SBDC) and Investron have come up with a solution for cash-strapped small entrepreneurs who need larger premises. B|Day 19|3|91

An agreement gives SBDC tenants a temporary rental concession until they are re-established in new premises. (30)

Investron marketing manager Steve Cook says relocation costs can be daunting for small entrepreneurs.

"At the same time, there are many of the initial batch of SBDC tenants who have proved successful and have outgrown their 'hives'.

"What is needed is temporary relief which allows these entrepreneurs to make the transition to larger premises.

"Having been in touch with property owners in Alrode South and Tulisa Park, we obtained rental concessions of 50% for tenants coming out of SBDC hives for a period of three months on a one-year lease."

The factories range from $100m^2$ to $1\ 000m^2$, with various sizes and configurations between.

Rentals start from R950 a month.

Cook says it's hoped to extend this concept to other areas.

Motion on ethics at Sacob congress

B Day 19/3/91 (30)

Business Day Reporter

THE South African Chamber of Business (Sacob) passed a new motion at its Transvaal regional congress on Saturday which Business Day omitted to mention in its report of the proceedings, Sacob director-general Raymond Parsons said yesterday.

To complete the report, he requested the following be added: "The motion adopted by congress stated that while fully supportive of private enterprise principles, congress was nonetheless deeply concerned about widespread negative perceptions about certain business and related practices.

"Congress urged Sacob to consider a motion on the question of business ethics at its national Convention in October this year."

Business Day reported yesterday that a motion to discuss business ethics at Sacob's congress was withdrawn from open discussion because of the presence of the media, and the motion was transferred to the closed afternoon session due to the controversial nature of the issue.

Sacob points out, however, that the above motion was passed during the public session. This was not the same motion reporters were barred from attending.

Off Supplies Expense
Off sup 280

Depreciation Fee
F.E 50

Wages
Bank 150

Rent
Bank 200

Drawings
Bank 300

NOMINAL

Bookkeeping
Acct Recei 1200

TRIAL BALANCE 31 JANUARY

Capital		10 220
Off Supplies	380	
Acct Pay		2160
Bank	4950	
Furnitu Equ	3350	
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Budget may bring relief to the market

B/Day 19/3/91

(30)

THE Budget is expected to bring some relief to the property market.

Sanlam Properties MD Hendrik Bester says lower interest rates will go a long way to helping home-owners and small businessmen, while also boosting business morale.

He says a higher level of confidence, together with the expected improvement in the political scenario, could serve as a signal for foreign investment.

Using Sanlam Properties' Windhoek experience, he says the new Windhoek Sanlam Centre's offices were fully let on completion.

It's accommodating at least five European embassies and other agencies and missions.

"A similar situation may arise when sanctions are lifted, and Pretoria, in particular, could benefit."

In the commercial market, he says there could be opportunities for letting to the public sector.

This may happen because government has less finance for erecting its own buildings.

There is still demand for space, and this could be rented from the private sector.

In the Johannesburg area, he says vacancy levels in the CBD are higher than in the decentralised areas, particularly for non-A grade space.

"Our office vacancy of 5% in Sanlam Centre in Jeppe Street is much lower than the average for the Johannesburg CBD.

"The market for shops is reasonably strong, but effected in some cases by lower escalations because of weaker turnovers.

"The situation is better than the figures suggest, because a large percentage of new space has been let in advance."

It seems the office oversupply in Sandton is improving, and is around 12%.

"Our Sanlampark Sandton has a lower vacancy rate, and rentals in the region of R26/m² are achieved.

"We are planning a major upgrade and expansion of our Randburg Sanlam Centre. Randburg shop rentals have increased by about 15% in the last year.

"In Pretoria, our R100m Sancardia shop and office development will be ready for the 1991 Christmas season.

"Office rentals of R26/m² can still be obtained for A-grade space in the CBD.

"The demand for office space in the popular decentralised eastern areas are firm, and oversupply is regarded as being temporary.

"Our office parks in Hatfield and Lynnwood are nearing completion, and letting is progressing steadily.

Effects

"Moreleta Plaza, our 7 400m² shopping centre in Lynnwood, was fully let at completion in November 1990."

On industrial property, Bester says the market is feeling the effects of the recession.

"However, our view holds good that the demand and rentals for smaller units of about 500m² or less will be sustained.

"Although the short term does not hold much promise of an improvement, we are optimistic on the longer term.

"On the Rand, areas such as Strydom Park, Robertville and Wynberg remain popular, and rentals of R13,50/m² for smaller units are achieved.

"Rentals are moving sideways, but Johannesburg is the one area where there is still demand for larger industrial space between 8 000m² and 10 000m².

"The first phase of Route 24, Sanlam Properties' light industrial park between Johannesburg and Jan Smuts, will be ready by May.

"The first letting of 1 000m² has been concluded. We are optimistic that the development fulfils the market demand for smaller units between 970m² and 350m²."

In Pretoria, he says demand is not as strong as Johannesburg, but rentals are rising at least with the inflation rate.

"We expect the slack to be taken up with the next upswing. There's enough zoned land available for development."

Rentals have stabilised in the Cape, and Sanlam is investigating the development of one of its sites in Parow, while the economic upswing is expected to benefit Durban sooner than elsewhere.

40

30

21

ACCOUNTS PAYABLE

20

DRAWINGS

11

CAPITAL

10

ANNEXURE A - REAL ACCOUNTS

AT11

Conflicting views on the Cape market

B Day 19/3/91 (30)

THERE are conflicting views about Cape Town's property market.

Sanlam Properties MD Hendrik Bester says in the commercial market the trend to locate in northern urban areas such as Bellville continues.

"This market is not as oversupplied as Cape Town central and the southern suburbs.

"There's a trend to new developments and modernisation of centrally located older buildings in anticipation of the economic upswing around mid-1992.

"We're investigating business opportunities in this region.

"In Mitchell's Plain, our R75m shopping centre will be ready for Christmas.

"We expect rents to move sideways in the shorter term."

Pam Golding commercial and industrial division manager John Pistorius says the commercial market in Cape Town is strong.

Shortage

"There's a shortage of good stock with a number of local and overseas investors keen to buy," he says.

Interest is high in tourist-related properties, so demand for hotels and leisure developments is strong.

"Our commercial division handled about R10,7m in deals in February.

"This included a hotel for R8m and various commercial property sales and rentals.

"There is substantial commercial development in the CBD, on the Foreshore and nearby.

"But although there is a substantial amount of stock, it's being taken up, with rentals of around R25/m² for good office accommodation.

"There's a large amount of stock available in Claremont, but some large developments are finding tenants," he says.

On the industrial front, he says institutions are on the buying trail, seeking out good stock.

Their demand is boosted by that of some private investors.

HENDRIK BESTER

Ken Vernon reports on a meeting that may herald an African common market

Getting down to business

Star 19/3/91.

(30)

IF the businessmen of southern Africa are really to get down to the business of doing business freely and openly, they are going to have to remove business from the clutches of politicians and bureaucrats.

That must have been the overriding message emerging from last week's first open meeting between South African and African businessmen, in Mbabane, after it was very nearly sabotaged by the sensitive egos of both governmental and non-governmental bureaucrats.

The Africa Sub-Saharan Economy and Trade (Asset) conference, "sponsored" by the SA Chamber of Business (Sacob), the SA Foreign Trade Organisation (Safto), the National African Federated Chambers of Commerce and Industry (Nafcoc) and BMW's Herbert Quandt Foundation (which picked up the tab), proved to be controversial even before it commenced when Swaziland's King Mswati failed to open the gathering as scheduled.

It seemed certain influential Swazi government figures and businessmen had been overlooked by the organisers.

Egos askew, they apparently whispered into the King's ear that — seeing he was current chairman of the Preferential Trade Area (PTA) grouping that bans business with South Africa — he should not be connected with the Asset conference.

The next hiccup came when the Nafcoc delegation, led by the organisation's president, Sam Motsuenyane, reportedly left in a huff because a rival organisation — the Foundation for African Business and Consumer Services — was given too much prominence.

The conference sub-title, "Scenario for a sub-continent", seemed about to take on an ominous and all too familiar meaning.

But as the bureaucrats tossed their curls and left, the businessmen got down to business.

At tea breaks, at the bar, over dinner, on the golf course, businessmen were making contacts and making deals. Brochures appeared as if by magic out of dark business suits (is that why they are called business suits?)

South African and African businessmen doing business is, of course, nothing new.

Such business is reportedly already worth an estimated R10 billion a year, having almost doubled in the past two years.

However, this business has previously had to be conducted under the table. The aim of the Asset conference was to promote such trade as it emerges increasingly into the light by bringing together key personalities in the region to evaluate opportunities and deficiencies in areas such as transport and communications, human resources, technology, etc.

In fact the discussions mainly revolved around the generally accepted need to form a southern African common market.

That many of the so-called key personalities who were needed to discuss this theme decided they could not attend for various — mainly political — reasons, gives an inkling of the problems the region faces if it decides on an economic merger.

Yet, not unexpectedly, all of the participants seemed to agree that closer co-operation of a formal nature seemed both necessary and desirable if the region was to develop, prosper and, more importantly, become viable enough to financially combat other regional economic giants such as the EC, the US and emerging common markets in Asia and South America.

There was universal agreement that South and southern Africa needed each other, that the region needed to "harmonise" its efforts in every endeavour.

"Serious attention needs to be focused more on regional co-operation and development that will ensure the optimal utilisation of the potentially enormous natural and human resources in the southern African region" said Mr Motsuenyane — before he left.

His words were echoed enough times to make one suspect that a common speech writer had been hired by many of the speakers.

But while many of the problems of the southern African region were enumerated, and while what needed to be done was identified over and over, no concrete plans for action were proposed.

One of the few positive suggestions for immediate action was made at the beginning of the conference by BMW chief Reinhard Kunstler, who suggested that the existing regional trade organisations, the Southern African Development Co-ordination Conference, the PTA, the Common Customs Union and others, should merge to avoid duplicating efforts in building a united economic front.

What he did not mention was that each of these competing organisations in fact represents a strong and entrenched self-interest group whose interests ironically might best be served by maintaining the distinction between South African and African business.

It is thought that this conference will be just the first of many future conferences addressing different aspects of regional co-operation, and a coming together of regional "trade" organisations might be a valid next choice if bureaucratic hurdles are to be successfully jumped by businessmen.

The question of whether or not the first Asset conference was a success will only be answered in future years, but everyone one I spoke to agreed that the Swaziland get-together had been a necessary event — the first step in what appears to be a very long and rocky road towards a southern African common economic trading bloc.

Meanwhile, back in the bar, the businessmen are busy getting down to business. — Star Africa Service. □

Rejoining Africa is fraught with difficulties

30

B/Day 20/3/91

TIM COHEN

THE recent Scenarios for a Subcontinent conference in Swaziland — the first time representatives from 14 African states publicly met SA businessmen in 14 years — began on a pessimistic note. From there things got steadily worse.

The conference, the first of a series, was aimed at providing mostly SA businessmen with an understanding of regional issues in view of SA's imminent return to the international arena.

The meeting comes at a time when there has been a surge in trade between SA and countries in the region. As a result, it elicited a high level of interest from SA businessmen who will soon need to grapple with some of the intricacies of regional co-operation.

The conference demonstrated, more graphically than the organisers had hoped, that the process of reintegrating SA into the region will not be quite as easy as some had thought.

This is because Africa is undergoing a crisis of monumental proportions.

Also, SA businessmen are not yet accustomed to dealing with African governments. It is clearly something which will require more care and understanding than was shown at this conference.

Whether the conference organisers were victims of an internal Swaziland power struggle or whether some aspect of diplomatic protocol was breached is a moot point. But the fact is Swazi King Mswati III and Swazi Prime Minister Obed Dlamini pulled out of their conference commitments at the last minute.

To make matters worse, the five-person delegation from the National African Federated Chambers of Commerce and Industry (Nafcoc) — co-sponsors of the conference with the SA Chamber of Business (Sacob) and the SA Foreign Trade Organisation (Safto) — pulled out the next day.

Either the walkouts were the result of an unseemly degree of petulance on the part of the parties not fulfilling their commitments, or they were the result of a not entirely uncharacteristic degree of insensitivity on the part of the white SA businessmen.

An opening pessimistic note was provided by the London School of Economics and Political Science's Christopher Coker who did not use the phrase "Afro-pessimism" but clearly subscribed to the idea.

The 1980s were a "catastrophe" for Africa, and Europe no longer felt implicated in its predicament, he said. Regional development was not possible; only some kind of regional rehabilitation.

Unfortunately, much of the available evidence is on his side.

EC funding for southern Africa declined in real terms by 30% last year. The UK, for example, was divesting from the region on an unprecedented scale, Coker said.

One third of British companies had divested from sub-Saharan Africa since 1985.

Other states in the region were structurally different from SA, which had a vast array of trade tarrifs, exchange controls, licencing systems, and zoning arrangements.

Coker's negativity was balanced by African Development Bank vice-president Adewale Sangowawa, who said that contrary to the gloomy predictions forwarded, he was optimistic African economies would emerge stronger and buoyant after the reforms underway in the region.

Increasing regional dialogue was taking place, political differences were being resolved and confidence was growing, Sangowawa said.

Sacob deputy president Hennie Viljoen called for "open frontiers" and said the time had come to start breaking down those divergent political barriers that could influence co-operative business efforts.

The conference was billed as "historic", mainly because of the delegates' high standing. Representatives from the SADCC, the Preferential Trade Area and influential businessmen and bankers from Zimbabwe and west Africa for the first time attended a conference organised by SA.

To the extent that it exposed SA businessmen to their counterparts, the conference was a success.

But the desire expressed by Safto CE Wim Holtes before the conference that "some kind of communication structure" would emerge appeared further away after the conference than before.

In fact, communication emerged as a major difficulty, both in the broader sense because of the pullouts and in a more immediate sense.

For example, the hotel's phones did not work.

The conference was billed as a "Scenario for a Subcontinent". One can only hope it was not.

Cops warn on Sharpeville Day intimidation

By IKE MOTSAPI

POLICE will be out in full force today to protect people wanting to go to work.

Colonel Jack de Vries, head of the liaison division of the Soweto police, last night warned that the police would ensure that law and order was maintained as thousands of people countrywide commemorated the 31st anniversary of the March 21 1960 Sharpeville shootings. Sowetan 21/3/91

De Vries warned that intimidation would not be tolerated.

He said: "I want to assure people who use trains to go to work not to be afraid to use them today.

"Police are going to make sure that people carrying weapons are not allowed to board trains today."

ER Post Office workers on strike

Sowetan 21/3/91

WORKERS at the Alberton Post Office have been on strike since Tuesday, demanding the removal of a senior official, whom they accuse of arrogant and racist behaviour towards black staff.

In a statement yesterday, the workers accused the Post Office management of being reluctant to take steps to redress the issue.

The workers, members of the Post and Telecommunications Workers' Association, had also called on management to scrap all alleged racist practices at the Post Office. - *Sapa.*

Boycott by squatters

GRAHAMSTOWN resembled a ghost town early yesterday as a three-day-old consumer boycott sparked by a squatter controversy began to make its mark. Sowetan 21/3/91

Most of the city's stores were deserted at the start of the day but filled up as the day progressed, mainly with white shoppers. (30)

However, Grahamstown Chamber of Commerce president Mr Bobby Wynne said it was still premature to gauge the success of the economic siege because "mid-month trading figures are generally low".

ANC to call for countrywide boycott

PRETORIA — The ANC will call for a national consumer boycott from April 8 to 13 to press for a constituent assembly, a senior ANC official of the PWV region announced in Pretoria yesterday.

However, confirmation of the proposed boycott dates could not be obtained from ANC headquarters, although it is understood a national consumer boycott was agreed upon at the ANC's consultative conference in Johannesburg last year.

ANC leader A B Nkomo told a Sharpeville Day rally in Mamelodi, near Pretoria, the boycott was intended to force government to implement a constituent assembly through non-violent pressure.

ANC national executive member James Stuart also announced that within the next two days, the ANC's violence monitoring committee was expected to identify the "real" perpetrators of the political and tribal violence that had engulfed the country in the past few months.

Nkomo announced picket demonstrations were being planned for April 6, Solomon Mahlangu Day, to protest against the imprisonment of "our people", particularly those on death row. — Sapa.

Day 22/3/91

30

Barnetts reports 40% decrease in earnings

B/Day 22/3/91

(30)

BEVERLY HUCKLESBY

RETAIL furniture group Barnetts has reported a 40% decrease in earnings to 5,8c (9,7c) a share in the six months to end-December.

Turnover in the company's continuing operations dropped marginally to R28,4m (R28,5m), but turnover in discontinued operations recorded a 15,4% rise to R509 000 (R441 000).

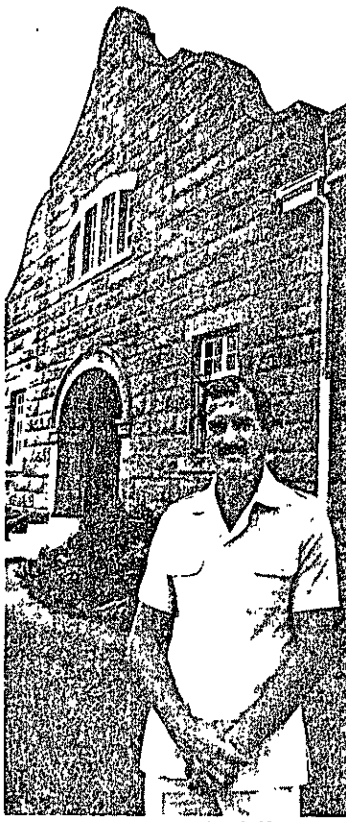
A decision was made to close the synthetic marble business which experienced technical problems and recorded a R150 000 loss in the year to end-June. The group has decided to concentrate on retail and not manufacture.

Despite a 7% decline in the interest bill, income before reduced taxation dropped 16,5% to R1,8m (R2,1m).

It is company policy not to pay an interim dividend.

Directors said in a statement today they were concentrating on tight asset management which resulted in an improvement in the quality of the debtors book and a reduction in funding requirements.

Closing down costs were reflected as an extraordinary item and gearing dropped from more than 54% to just over 43%.



Mashaeng town clerk ... Hennie Venter

Facing the future ... a toddler steps out warily in Fouriesburg

Photographs: KEVIN CARTER

Red badge over Fouriesburg

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WMail 22/3 - 27/3/91

JOHN PERLMAN visited Fouriesburg and found the town booming because of the Highlands Water Project but struggling because of a township boycott

THE majestic granite hills and deep green fields that surround the eastern Free State town of Fouriesburg have been fought over before.

This exquisite land was both the battleground and the prize for a decisive war between Boer and Basotho way back in 1865. The black people, whose land it was, were driven eastwards towards the Maluti mountains and into what is now Lesotho.

"They wouldn't stay on their side," says Henry de la Harpe, whose forebears staked out the farm Grootverwulf soon after that war of conquest was complete. "They kept coming across and stealing cattle the way they do today." De la Harpe now leases his farm out and spends time writing a history of the district which he hopes to have published.

He has no sons, no certainty that the farm will remain in De la Harpe hands. But despite government changes to the Land Acts, set out in a White Paper this week, De la Harpe doesn't expect Grootverwulf to be bought by a black farmer, not for a while anyway. "There are no big black farmers in the area, and while a man in Johannesburg may have the money he won't last long," De la Harpe says.

"Even the blacks here are too slow to learn and too set in their old ways. There is more to farming than milking cows and driving tractors. Even a guy from Hillbrow can do that."

Back in Fouriesburg, the 500 whites in the town aren't bracing themselves for black neighbours either. For a start, nobody in the adjacent township of Mashaeng has the money, be assured of that. And besides, this little town right now has more new bodies arriving than it has bedrooms.

After years of watching the agriculture on which the town depends being slowly sapped by inflation, drought and spiralling debt, the people of Fouriesburg are getting ready for a nice little boom. And the lifeline they are being thrown, oddly enough, comes from the descendants of the people whose land their own forebears forcibly seized.

At the end of this month, international funds for the Highlands Water Project in Lesotho are being released and work on the scheme, already underway, will begin in earnest. Fouriesburg's farmers won't see any of the water, drought or not — some will be used for irrigation in Lesotho and the rest piped north and west for use on the Rand. But it's been good news for the town.

"We've got beautiful growth here, a nice good bloom," says BD Saayman, Fouriesburg's town clerk for the past 17 years. The road to the expanded new border post at Caledonpoort has been tarred, 16 houses have been put up to house engineers and supervisors working on the water scheme, and another 11 are to be built. "If you wanted to come and live in Fouriesburg now, I couldn't help you. There is not a house available," Saayman says.

New quarters for the South African Police are being built, in anticipation of more traffic and therefore more traffic offenders and a new bank is under construction. "The old one won't be big enough for the money that is coming in," Saayman says with a chuckle.

Fine times ahead for Fouriesburg, it would seem, so much so that one resident has been asking R270 000 for a tattily thatched house. The young man from Madeira who runs the local cafe says he has bought a Mercedes in the eight months he has been here, even if he has paid a price for it in being bored witless. But just across the road from the town clerk's office, in earshot of Saayman's cheeriness, is a man with a problem.

Hennie Venter has a wall full of certificates in his office, including one that came with his Pro Patria medal for "defence of the Republic and the prevention and suppression of terrorism", earned while serving as a lieutenant on the border. But despite the personal touches, Venter is irritated by his surroundings — he is, after all, town clerk of Mashaeng; until last week he had his office in the township.

"Last week I was blocked from entering the township. They had put up a barricade this high," Venter says, standing up and pointing to his chest. From the start of the year township residents had refused to pay service charges and a consumer boycott of the town was under way, but this was the last straw. Venter packed up the offices and took tractors and office equipment out of Mashaeng.

This boycott, he says, has him baffled. Mashaeng, until now, was completely self-funding — it now has arrears approaching quarter of a million rand. "They have everything they need — tarred roads, electricity, exactly the same standards as the white town. For this they paid R32 a month; compare that to a white area," he says.

"We got the white kids to play cricket against them, we made them a boxing ring, we gave them mini cricket and we arranged netball. All of that is now dead," he says, "all stopped by politics".

Fouriesburg has convened a forum, including businessmen, to try and deal with the problems. The consumer boycott, after all, has already put one shop out of business. But Venter seems resigned to "just letting the blacks themselves sort it out. I sometimes wonder if we do too much for them anyway. Every time they get in trouble we are there to sort it out," he says.

"They will spend money on rubbish, but they don't want to pay for their priorities. And now they are mixing in politics with questions of municipal services. These are basic services, they have nothing to do with one man one vote. What has local government got to do with apartheid?"

Venter says channels have been opened to the local ANC. "Last week we dropped some pamphlets on the township from a plane," he says. The pamphlet begins "PEOPLE OF MASHAENG!! The SUFFERING come to an end!! The SUFFERING come to an end!! You can buy again in Fouriesburg. BUY and be sure that there IS MONEY to pay salaries." It goes on to say that a committee has been formed to listen to grievances. "Come to your townclerck, he will arrange these talks," it concludes. "THIS COMMITTEE LIKE TO TALK AND LISTEN!!" (Sic).

Venter says he too will listen, but his final point is given emphasis by the revolver-shaped bulge in his beige safari suit. He glances at another framed certificate, this one thanking the "Fouriesburg Friends of Rhodesia", signed by a wrinkle-free Ian Smith and says: "They think this is like Rhodesia or South West but it isn't. The platteland will stand strong whatever happens. They are not just going to run away with us."

The Mashaeng comrade who takes us to his leaders insists that isn't their intention. "We have a serious problem with the whites here because they think we want to kill them," he says. "The other problem in the small towns is that the security police do what they want because there is nobody to stop them."

The township, which houses some 10 000 people, appears quiet again. There are two boys putting up posters, but it's only to advertise a showing of "The Daring Dobermans".

The Mashaeng branch of the ANC Youth League, formally launched less than a week ago, is meeting in a small little hall. No names, no pictures, please — 14 of their members have already been detained, some have clashed with police before, 15 of them are up on charges of public violence. Each person with a point to make addresses it to their chosen spokesman wearing a South African Communist Party badge, who delivers the cobbled-together consensus view.

"We dispute Venter's view that we have 'everything they need'," says Red Badge. The electricity he talks of — which has now been cut off — is street lights, no more. "About 100 people have electricity in their own homes," he says. "There are very few households with taps. Others share taps in the street that are about 25 metres apart. And we still have the bucket system for sewage."

Red Badge says the service charge boycott was embarked on in January because people simply could not pay. "The average salary here is about R150 a month, because most of the people are domestic workers. How can people pay R32 out of that?"

The consumer boycott was the result of an all-too-familiar cycle. Forty-five residents were summoned to appear in court for not paying their bills. "We felt we should show solidarity by marching to the court," says Red Badge. The police disagreed and clashes followed in which teargas and rubber bullets were fired and policemen's houses were burned.

"Then we applied for a legal march so that those higher up could see our grievances," Red Badge says. They set strict conditions — only 500 could march and we had to put a R20 000 deposit with the town council. But there are more than 500 of us with grievances and of course we don't have R20 000. So we launched the consumer boycott."

The ANC Youth League is prepared to negotiate, Red Badge says. But the public violence and non-payment charges must be dropped first. The town council — what's left of it — must resign, and "all services must run effectively while negotiations continue". That would just about do it, says Red Badge, then almost as an afterthought adds: "And we don't want Venter to come back. He used to talk about us as his people. What does he think this is? His farm?"

Conflicting ANC statements on boycott

Staff Reporters Star 22/3/91

The ANC is considering staging a week-long consumer boycott of white-owned businesses throughout the country should the Government not allow exiles to return unconditionally.

This was one of a number of protest actions discussed at the ANC's consultative conference in the event of a Government delay in meeting its preconditions regarding the return of exiles, a spokesman at ANC head office said yesterday.

In an announcement contradicting this yesterday, ANC regional executive member in Pretoria Dr Abraham Nkomo said a national consumer boycott had been decided on and would take place between April 8 and 13.

Campaign

Speaking at at a rally in Mamelodi to launch a signature campaign for a constituent assembly and an interim government, Dr Nkomo added that the ANC was planning to start a campaign to test its members for the Aids virus.

The ANC head office has however said it had decided only to intensify its campaign against Aids and that no decision had been made regarding testing its members.

The ANC has also announced plans to march to certain prisons in SA and in the homelands to demand the repeal of the death penalty.

In the education arena, a campaign has been launched to identify empty white schools which could be occupied by black pupils.

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JD GROUP FM 22\3\91

FORECAST BEATEN

(30)

JD Group chairman David Susman was cautious in his interim report last year, when he forecast only that the full year's earnings growth would exceed inflation. However, he told the *FM* at the time that the second half's earnings growth could be in line with the first half's 32,7%, indicating EPS of 135c for the full year.

Last year turned out to be an exceptional year for the retail furniture industry, as well as for the JD Group. In the year to end-

continue →

FOX (30) FM 22/3/91 (30)

December, EPS rose to 143,2c. The 37% rise in turnover came mostly from instalment sales, as the gross debtors' book grew by 38% to R529m during the period. Financial director Colin Stein says great care was taken to maintain and improve the quality of the group's debtor book and arrears came down from 7,4% to 6,1%.

There was vigorous growth in the group's discount chains, Price 'n Pride and Joshua Doore — which generally work on lower margins than Bradlows and Score Furnishers — resulting in a reduction in the group's operating margin. Stein contends that a swing by consumers towards purchases at discount stores is to be expected in the conditions that prevailed during 1990.

This year, says Stein, the group's stores will be expanded across the board in a controlled fashion. Three stores are scheduled to open during 1991. Stein says that, should suitable opportunities present themselves, they will be considered, provided adequate returns can be achieved. Any expansion will be funded out of trading cash flow and borrowings.

Gearing remained at the 54% level and did not fall as Susman was expecting at the halfway stage. Stein is comfortable with the group's gearing at current levels.

An uncertainty facing furniture companies selling on credit is the effect of any changes that may be made to deferred tax allowances under Section 24. The industry is currently negotiating with the Comissioner of Inland Revenue on the matter. In any event, considering the growth in the group's debtors' book, management is confident that the group will not be adversely affected this year.

The share price has almost doubled to 615c since last July. It now stands on an earnings multiple of 4,3, a rating still well below the average of 6,8 for the furniture sector.

Gerhard Slabber

P 'n P feeling the pinch

30

S/EM/S 23/3/91

From page 1

openings, expansions and renovations, including an R8 million modernisation at Kenilworth centre.

"The economy, particularly in the cash trade, is very tough but the relaxation of interest rates will, in the next few months, filter through to the cash consumer and this will be beneficial.

Earnings rose only 4,5c a share to 110,6c but total dividends are 10,6 percent higher at 57,5c after a drop in dividend cover to 1,92 times (2,04 last year).

Margins were trimmed to 2,6 percent from 2,7.

"We are disappointed in our turnover and profits. We hoped we would do better. Turnover dropped in January largely because of the economy. There was just no cash around."

Eight stores and a hypermarket had switched to scanning and all Western Cape stores would have scanning by September.

The company aimed to have scanning in all stores in time for VAT in October.

The results also showed that in a tough economy the group was paying higher wages but not getting the productivity needed.

"Everyone in South Africa will have to look at this and we are talking with the unions about it."

Pick 'n Pay is feeling pinch

W/LANG 45
23/3/91

30

By TOM HOOD
Business Editor

CRIME rings and supermarket theft cost Pick 'n Pay millions of rands and put a brake on the retail giant's unbeaten record of increasing sales and profits over the last 24 years.

"Normal pilfering we can expect and control but this was wholesale stealing," said chairman Raymond Ackerman today.

"It was linked to the political struggle with some workers in cahoots. They were virtually saying their job was to to clean me out."

Turnover rose 18,5 percent and topped R5 billion for the first time in the 12 months to end-February and could exceed R6 billion in the current year, said Mr Ackerman.

"On R6 billion turnover we expect to have a good increase in profits and earnings. I am optimistic of a 15 to 20 percent increase."

But the recession made a big impact on business in January and February and group profit before tax rose only 6,5 percent to almost R140 million, though a record.

"Shortages rose in certain stores due to a serious increase in crime rings and theft," he said.

"These are being tackled assiduously by the company. The crime factor does not deter from the fact that the company made great strides in its ordinary shrinkage control and expense control."

Earnings were also affected by unlisted investments, which consist partly of insurance linked policies, not performing well after a strong performance last year.

The cost of launching the group's value-added foods programme was greater than expected and impacted on profits. However, the initial teething problems were over and the products were selling well.

This new section carried 300 lines and another 400 lines would be added soon.

"We were obviously disappointed with the results because we were projecting at least a 15 percent profit increase for the year," said Mr Ackerman.

He recalled that five years ago, the company had a similar result where the large growth in pre-tax and after-tax profit was temporarily reduced with a modest growth.

However, Mr Ackerman said he took a positive view of the future. Market share was increasing strongly in the food field.

"On the labour front we have been upgrading our wages and staff situation for over five years and we are now looking forward to reaping the benefit for all the work done in this area.

"What we would like from the unions is more flexibility and the mobility to be more productive."

Turnover benefited from the opening of 12 new stores, renovations at four hypermarkets and expansions in various supermarkets.

Hypermarket No 14 is to open in mid-year at Northgate, north of Johannesburg, as well as a number of supermarket

● See page 3

Too much pick and no pay

Star 23/3/91 (30)

Crime rings put brake on Pick 'n Pay

RAYMOND ACKERMAN: "Normal pilfering we can expect and control but this was wholesale stealing".

TOM HOOD

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"On R6 billion turnover we expect to have a good increase in profits and earnings. I am optimistic of a 15 to 20 percent increase."

But the recession made a big impact on business in January and February and group profit before tax rose only 6,5 percent to almost R140 million — still a record.

Earnings were up 4,5 percent to R86,6 million, equivalent to 110,6c a share and a dividend of 57,5c (52c) was declared.

Earnings were also affected by unlisted investments, consisting partly of insurance-linked policies which did not perform as well as the previous year.

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Productivity

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"The economy, particularly in the cash trade, is very tough but the relaxation of interest ratesa will in the next few months filter through to the cash consumer and this will be beneficial."

"We are disappointed in our turnover and profits. We hoped we would do better. Turnover dropped in January largely because of the economy. There was just no cash around.

However, the Western Cape, the group's home ground, produced "phenomenal" results — "we came up trumps and the region had far and away the best results of the group."

Eight stores and a hypermarket had switched to scanning and all Western Cape stores would have scanning by September.

The company aimed to have scanning throughout the country in time for VAT.

The results also showed that in a tough economy the group was paying higher wages but not getting the productivity needed.

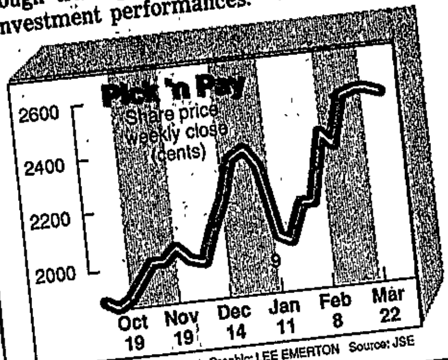
"Everyone in South Africa will have to look at this and we are talking with the unions about it."

Pick 'n Pay takes bruising

B|Day 25|3|91 (30)

LESLEY LAMBERT

CAPE TOWN — Pick 'n Pay gained market share during the year to February 28, with turnover exceeding R5bn on an 18,4% growth. But its profits were hammered by tough trading conditions, theft and poor investment performances.



Graphic: LEE EMERTON Source: JSE

Attributable earnings, before extraordinary items, grew by only 4,5% to R86,6m, or 110,6c a share, and fell far short of projections.

A total dividend of 57,5c a share was declared, representing a 10,6% increase over the previous year's and pushing dividend cover from 2,04 times to 1,92.

MD Hugh Herman said the group had hoped for compensatory performances to offset the effects of "exceptionally difficult" trading conditions in the tough economic environment during the second half of the year. But these had not materialised.

For example, the investments in insurance-linked and other financial products, which contributed significantly to the previous year's profits, failed to perform last

□ To Page 2

Pick 'n Pay

B|Day 25|3|91 (30)

□ From Page 1

year. The value of investment income more than halved to R6,4m from R14,2m.

Operating profit grew by 13% to R133,4m, reflecting a serious increase in crime rings and theft and unexpected costs related to teething problems during the launch of Pick 'n Pay's competitive value-added food programme.

But it was the effect of the financial investments' underperformance, coupled with an increase in taxation and a decline in the outside shareholders' interest, which appeared to have had the most damaging impact on bottom-line profits.

Pick 'n Pay chairman Raymond Ackerman and Herman said at a media conference in Cape Town on Friday they were confident of a considerable improvement in the group's performance during the current financial year, particularly during the second half as the effect of the interest rate decline filtered through.

On the labour front, wage negotiations are expected to be concluded this week, at an average cost to Pick 'n Pay of about 16%.

Management is requesting more flexibility and mobility from the unions to enable improvements in productivity.

Shops set for rush on meat

Star 26/3/91

(30)

Supermarkets expect a rush on red meat before VAT is introduced on September 30.

Raymond Ackerman from Pick 'n Pay said he expected buyers to begin stocking up on all perishable goods — such as red meat — that were now exempt from tax but would be subject to 12 percent VAT.

He did not expect this to happen before September, and said red meat prices would be kept down as much as possible and for as long as possible.

Serge Martinengo, MD of Checkers, also expected a rush on red meat in his group.

He said the company would continue to negotiate the best prices possible. He also expected prices not to increase drastically for three months after the introduction of VAT.

A spokesman for the Meat Board expected an upswing in sales, but believed most people did not have enough disposable income to be able to buy R500 to R1 000-worth of meat in one go.

Figures confirm levelling off of furniture sales in '91

BDay 27/3/91 (30) (246)

MARCIA KLEIN

JANUARY sales figures for furniture, appliances, TV and audio equipment have confirmed earlier predictions by the Furniture Traders' Association (FTA) that sales would begin to level off this year.

Following the "something near boom conditions" experienced in the second half of 1990, sales in January grew by 17,6% over January 1990 — a real growth of about 3%, FTA executive director Frans Jordaan said yesterday.

This compared with an average of 20% to 30% in monthly turnover growth last year following the easing of credit restrictions last March.

In 1990 sales of furniture and household appliances showed a real rise of 5,6%, the Reserve Bank's latest quarterly review shows, and furniture prices rose faster than the inflation rate reflecting demand pull.

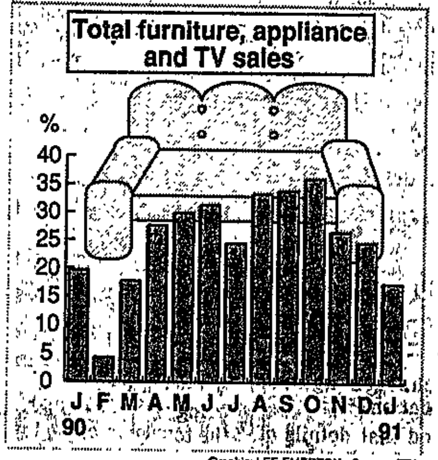
Figures for January showed good growth in appliances and audio equipment, but growth in sales of actual furniture was lower than January last year.

Jordaan said the industry was "faced with the reality of the new year," including the recessionary trend and potential problems associated with possible changes to Section 24 of the Income Tax Act with regard to deferred tax allowances.

Jordaan said that township violence and industrial action could also affect the industry negatively during the year.

However, the granting of credit was being done on a more selective basis and the quality of the debtors ledger was being improved. Aggressive marketing could also attract a good percentge of consumers discretionary income.

The FTA was still "cautiously optimistic" that the industry could achieve a real growth in sales of about 4% this year.



Graphic: LEE EMERTON Source: FTA

Decor margins at 8,6%

B Day 27/3/91. (30)

MARCIA KLEIN

RETAIL and wholesale-listed Decor Investment Holdings has brought its operating margins up to 8,6% for the six months to end-December from 7,5% in the 18 months to June 1990.

The investment holding company, with interests in the marketing and distribution of wall claddings and the manufacture of louvre doors and furniture, reported attributable earnings of R654 000 on a turnover of R9,1m for the six months to end-December.

It showed earnings of 3,75c a share based on a weighted average of shares in issue compared with restated earnings of 3c a share for the 1989 period.

Turnover of R9,1m was produced compared with R27,5m for the 18 months to end-June 1990, and operating income of R782 000 compared with R2,1m. Both figures refer to continuing operations.

An interest bill of R119 000 (R483 000) brought pre-tax income to R663 000 (restated R1,6m), and a significantly reduced tax rate of R6 000 (R60 000) saw attributable earnings at R654 000 (restated R1m).

Residents begin consumer boycott

(30)

Sowetan 27/3/91

RESIDENTS of the impoverished township of Namahabi-Frankfurt have decided to embark on an indefinite consumer boycott to force local authorities to accede to their demands.

According to the ANC Youth League's organising secretary, Mr Zanele Sithole, the boycott started yesterday.

Residents are demanding that the Frankfurt business community pressure the local town council into upgrading facilities in the township.

The facilities involved include the installation of a water-borne sewerage system, the electrification of houses, upgrading of access roads in the township and the local stadium.

They also demand that the taxi rank in town be upgraded and that the local police stop harassing residents, especially during night vigils.

According to Sithole, several deputations have been sent to the local authorities but to no avail.

Drowning of unionist causes work stayaway

Star 27/3/91.

Own Correspondent (30)

The drowning of a Groblersdal trade unionist led to a work stayaway and boycott of white shops yesterday, resulting in disruption of services in the town.

The protest actions were called by the South African Commercial, Catering and Allied Workers' Union (Saccawu).

Petrus Boy Njoma drowned yesterday. It has been claimed he was pushed into the Olifants River by a white.

His body has not yet been recovered.

Lieutenant Oosteval van Niekerk, liaison officer for the Eastern Transvaal police, said no arrest had yet been made.

Police were investigating a charge of culpable homicide.

Mathabatha Seema, regional organiser for Saccawu, said all the town's black workers participated in the stayaway.

Mr Seema said workers had vowed to return to work only after Mr Njoma's body was recovered.

"The mood of the blacks here can be described in one word — outrage," he said.

Mikie Viljoen, regional manager for Wanda Furnishers in Groblersdal, said his entire workforce had stayed away from work yesterday.

Kaizer Thibedi, assistant general secretary of Saccawu, said a worker who had been present when the incident occurred reported the matter to the police.

Mr Thibedi said the union's information was that three men — a white and two blacks — went out to collect money owed to a store.

After they had contacted some clients, the white man invited his two black colleagues to go on a fishing expedition at the river, where Mr Njoma drowned.

Acquisitions help see Bergers through the year

BDay 28/3/91 30

MARCIA KLEIN

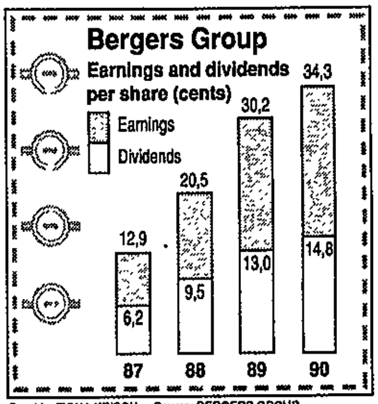
TOUGH conditions in what is traditionally the better half of the year saw Cape-based clothing retailer Bergers produce a 13,6% increase in earnings to 34,3c (30,2c) a share in the year to end-December 1990.

Chairman Howard Mauerberger said trading conditions deteriorated in the second half due to the state of the economy, increased unrest and consumer boycotts. At the June 1990 interim stage, Bergers increased its earnings by 39% to 10,3c a share.

Bergers now holds 94% of the merged business Bergers Trading Holdings (Bertrad) which was formed through Bergers acquiring 54% of Independent Fashion Holdings (Infash) for R1,8m in cash.

An increase of 71,2% in turnover for the year to R143,0m (R83,5m) reflects the acquisitions during the year of Hilton Weiner and Infash.

Mauerberger said the investment and acquisitions were essential "to ensure that the group had the infrastructure and facilities to cope with its long term growth plans". Berger's turnover growth excluding the acquisitions would have been 26%.



Graphic: FIONA KRISCH Source: BERGERS GROUP

Operating income rose by 45,5% to R13,7m (R9,4m) and the interest bill of R3,1m, was more than 13 times higher than R227 000 interest paid last year.

The increased interest arising from the acquisitions saw pre-tax profits up by 15,5% to R10,6m (R9,2m).

A small increase in tax resulted in a 21,7% increase in net income after tax to R7,5m (R6,2m), and after minority interest, attributable income was 13,7% up at R6,9m (R6,1m).

A 13,5% higher dividend of 14,75c (13c) a share was declared.

Mauerberger said the increase in net income was "contained" by interest payments on the acquisitions, expansion of the Bergers chain and substantial investments in computer equipment and fittings.

Bertrad results for the 10 months to end-December show turnover of R133,6m compared with R27,6m for the year to end-December 1989, and income of R10,6m (R1,3m) after interest of R3m (R258 000).

After tax and minority interest of R3,2m, attributable income was R7,4m (R992 000). A dividend of 3,7c a share for the 86-million shares now in issue was declared from earnings of 8,6c (11,0c) a share.

Mauerberger said comparisons of the results of Bertrad with the previous year were meaningless due to changes in the business's structure.

Amcham compiles foreign investors' charter

30 Star 28/3/91

By Derek Tommey

The American Chamber of Commerce in South Africa (Amcham) has produced an economic charter spelling out the social, economic and political factors which foreigners look for when investing in a country.

The charter comes at a most appropriate time as South Africa is in dire need of new foreign investment.

It is increasingly apparent that without economic help from overseas South Africa has little chance in the foreseeable future of being able to meet the economic expectations of the mass of her people.

Amcham says the first thing foreign investors look for in a country is politicaland regional stability. "In South Africa a new political order is vital for creating confidence and the conditions for a sound and dynamic economy".

It says it will support any peaceful negotiations leading to the creation of non-racial democratic multi-party state.

Any constitution should protect property rights, including intellectual property rights such as patents, trademarks and copyrights, Amcham says. The constitution should also guarantee freedom to enter contracts as well as equality before the law.

Economic stability, is a prerequisite for strong and sustained private sector fixed investment, says the charter, which criticises the lack of consistency in monetary and fiscal policies in this country.

Amcham also requires a market-oriented economic system, free of the shackles of apartheid and bureaucratic over-regulation.

Foreign investors require a favourable tax environment. A disproportionately high tax rate militates against investment, and high direct personal tax militates against attracting and retaining skilled staff.

Amcham points out that the South African corporate tax rate is among the highest in the world.

Foreign fixed investment is also encouraged in an atmosphere where there are specific and clear rules, no arbitrary decisions, no special deals for specific companies and no fears of nationalisation or confiscation of assets.

Amcham recognises that governments want to see profits reinvested. This happens where policies create a favourable environment for foreign investors.

"But restrictions on the repatriation of profits and exchange controls in general serve only to discourage new investment".

Finally Amcham points out that South Africa has a developed infrastructure and it is essential that this infrastructure be maintained.

Amcham says its entry into the debate about a post-apartheid economy must not be seen to be one of interference by a foreign entity.

Instead it should be seen as a contribution by foreign investors with a stake in the country who would like to see the expansion of US investment here.

Store in crisis, blacks allowed but stay away

Sowetan 28/3/91

By MATHATHA TSEDU

THERE were no champagne pops nor ululations, but a few tears were shed when Pietersburg's notorious racial landmark Oasis supermarket opened its doors to blacks two weeks ago.

And new owner Mr Carl Nethling, amid death threats from the ultra-rightwingers who used to patronise the shop, is faced with a diminishing turnover as black customers give his shop a wide berth.

Today, the store, standing at the corner of Mare and Rissik Streets, has no name as the husband and wife Neethling team works round the clock to change the image and name of the shop.

Sore point

Workmen were yesterday taking down name plates, leaving the shop simply as Supermarket.

The Oasis, opened in 1965, had been an exclusive white supermarket, with black people only served through a side window.

It was a sore point amongst local black people, with some forcing their way in and creating scenes. Others however had a different approach.

Contract

They would simply stand at the window, order large amounts of groceries to be brought by white shop assistants, have them rung up at the till and then walk away.

As shop after shop dropped the two entrances, Oasis stood out as an oasis of sorts for white extremists who abound in the CP controlled town.

The Neethlings bought the shop last year, under a contract that stipulated that they would not desegregate the shop for at least a year.

Problems

Neethling told the *Sowetan* yesterday that he had decided to open the shop to all races "in line with the political climate in the country".

This has however led to problems with his white clients, who used to buy on credit.

"I get threats from them saying they will not settle the accounts, that they will kill me and that they will never shop here again because I have sold them out by allowing Africans in," Neethling said.

30

Palace

"We had been brainwashed into believing that this was right. It was like a white palace for the past 30 years but times no longer allow that and there is no way I am going back.

"We have taken a dip in sales as a result because all these whites no longer come here.

"But I ask myself where are they buying that they will not find black customers, as all shops are now like that.

Bread

Neethling said that last week when the shop ran out of bread - an event that used to occur even in the past - whites blamed blacks for it.

Neethling is worried, he said, because the exodus of whites has not been matched by a swamping of black customers.

"I had thought that the response by black customers would be much more and now I do not know what to do. I really need their support to show that we can all work together," he said.

Policemen

When the *Sowetan* visited the shop on Tuesday, a few black customers were in the shop, two of them policemen.

Meanwhile, the Neethlings are hard at work trying to find a new name. They are thinking of running a competition.

Book on new wave of black managers

CAPE TIMES 28/3/91

30 B38A 174

ERIC CHAROUX'S *Coaching and the Black Manager*, published by Juta and available from leading booksellers. Price: R39,95

This book stresses that fundamental social and economic changes to our society are prerequisites to successful black advancement in business.

Charoux writes: "We are the witnesses of a unique phenomenon, one of unparalleled importance and significance in the history of South African leadership: the advent of the black manager on the South African organisational scene."

South African organisations have reached a stage where they have no option but to accelerate the upward mobility of their black employees.

The book graphically illustrates the "macro environment" in which business operates and details its impact on the organisation.

It paints a futuristic picture of the "new South Africa" from a corporate perspective. It gives an updated overview of the current status of black advancement and proposes an invigorating strategy for its effective implementation.

It takes an in-depth look into what it is like to be an "upwardly mobile black potential manager" by means of a detailed case study, spells out step-by-step the coaching process and provides the line manager with a method of coaching his or her potential manager.

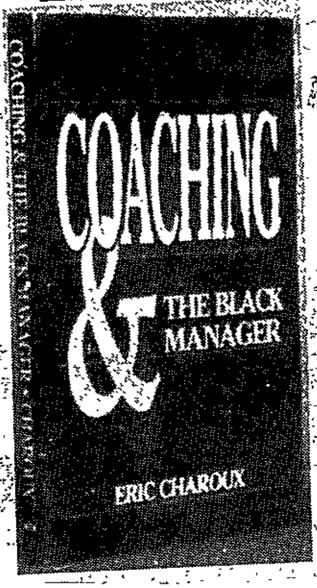
The book provides a list of selected readings which a newcomer to the field would have to digest in order to acquire expert knowledge.

Charoux writes: "Coaching has its place. It must be part of a carefully defined and orchestrated strategy.

"Managers have a fundamental role to play in managing the change process, thereby helping to create a new society. The so-called black advancement area will become increasingly of major importance — a strategic necessity to ensure the survival of companies in a new South Africa."

This is an important book for commerce, industry and the black manager, offering easily accessible, expert knowledge.

Dr Charoux is an author, a registered industrial psychologist and a consultant to national and multinational organisations in black advancement, assessment and career management. He has held senior positions in industry and has published papers on the identification of leadership potential, training and development.



Eric Charoux's book, "Coaching And The Black Manager", takes a close look at the training of black management.

Bergers does well in difficult conditions

By Derek Tommey 30

Bergers is a highly successful clothing retailer which operates 258 cash clothing stores aimed at the better-off black and white shopper.

It has also been one of the top performers on the JSE in the past year with its share price more than doubling from 110c to 245c.

Against this background of strong share market activity its shareholders are likely to be both pleased and disappointed with company's figures for the 12 months ended December.

Pleased

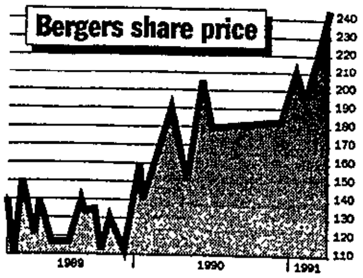
Star 28/3/91

They are likely to be pleased because the company shows continued growth. Turnover rose 71 percent to R143,0 million, helped partly by the acqusition in February last year of two other clothing chains, Hilton Wiener and Independent Fashion Holdings.

Operating profit showed a highly acceptable increase of 45 percent to R13,7 million. But then came the disappointments.

A sharp jump in finance charges from R227 000 to R3,1 million resulted in pretaxed profit rising only 15,5 percent to R10,6 million. And a 21,7 percent increase in tax payments led to a taxed profit of R6,9 million, only 13,7 percent, more than last year.

Earnings a share were equal to 34,3c against 30,2c in 1989. The dividend has been raised by only 13,6 percent from 13,0c to 14,75c a share.



Chairman Howard Mauerberger reports that trading conditions deteriorated in the second half of the year owing to the general state of the economy, the increase in unrest and consumer boycotts.

Mr Mauerberger says the increase in the interest bill arose from the acquisitions of Hilton Wiener and Infash and also from substantial investments in computer equipment and in fitting out the group's new merchandise distribution centre in Cape Town.

Income

Operating company Bertrad had sales of R133,6 illion and attributable income of R7,4 million equal to 8,6c a share. A div idend of 3,7c has been declared.

Mr Mauerberger makes no profit forecast, possibly because of the high degree of uncertainty about the business outlook. But the conditions which have given the company its huge sales growth in the past three years are still there. It would seem to be only a matter of time, before Bergers again starts reporting further sharp increases in profits and, one hopes, in dividends.

PICK 'n PAY FM 29/3/91 (30)

CASH MANAGEMENT

The most conspicuous aspect of Pick 'n Pay's performance for the 1991 financial year is an alarming drop in the rate of growth in EPS, occurring largely in the second half. There is also a more favourable trend which is not highlighted — perhaps because chairman Raymond Ackerman wants it that way.

Ackerman's comments accompanying the results concentrate on negative aspects but do not mention the laudable advance in trading income. The year's increase of only 4,5% in EPS arises not because trading was poor, but rather because of what could be described as flawed cash management. Growth in trading income — the primary test of how the group's core activity performed — has done better than at any time since 1989, an exceptionally good year for the group.

Whereas in 1990 trading income rose by only 6,5% on the previous year, this year it is up by 18,6%, shading the 18,5% growth in turnover, which reached R5,19bn.

continue →

FM 29/3/91 (30)

This rate of increase in trading income was achieved despite what Ackerman describes as "a serious increase in crime rings and theft" as well as unexpectedly high costs associated with the Value Added programme. The latter consists of marketing processed and packaged food products which compete head-on with Woolworths' foods. Doubtless, it was these problems that caused

Pick 'n Pay's Ackerman ... *targeting R6bn sales*

the margin to stick at 2,58%. It compares with margins between 1986 and 1990 of 2,5%, 2,75%, 2,77%, 2,74% and 2,57%.

The weak earnings growth was related primarily to management of the group's large liquid resources, including cash balances and short-term investments.

In 1988 it became evident that the group's tax rate had fallen to just under 37%, from roughly 42%, because of exempt income derived from investing in insurance policies (*Companies* May 18.) It turns out that these insurance policies are linked to listed equities. Ackerman says that because the JSE fell last year, income on these investments also dropped; investment income has plummeted by R7,8m, or 55%. The accounting policy is to treat fluctuations in the value of these investments as losses or gains in income.

Moreover, in 1990 net interest received amounted to R4,2m, but in the 1991 year net interest of R500 000 was paid — a swing of R4,7m. Hence, in the year under review, a total of R12,5m in pre-tax income has been forgone. Had investment income and interest earned remained the same as in 1990, EPS would have been about 120c, up by 13,3%.

According to financial director Chris Hurst, one reason for the reduction in interest received was the large capital expenditure involved in the bid to beat the introduc-

PACE SLOWS

Year to Feb 28	1990	1991
Turnover (Rbn)	4,38	5,19
Trading income (Rm)	117,1	133,4
Investment income (Rm)	14,2	6,4
Earnings (Rm)	82,8	86,6
Earnings (c)	105,9	110,6
Dividends (c)	52,0	57,5

FM 29/3/91 (30)

tion of VAT, at the end of September, with the installation of electronic scanning equipment. At end-February 1990 cash on hand was R59m; as at February 28 this year, the cash balance is R46,5m. With interest receipts declining as much as this, the outlay for the equipment must have been large.

From the growth in turnover there is little doubt the group has increased market share. Ackerman has no hesitation in predicting the 1992 financial year will see the R6bn mark comfortably attained. This suggests turnover growth of about 15,6%, and a further increase in market share. If management can also contain shrinkage (theft), then the pre-interest margin should again improve.

A marked improvement in EPS can also be expected in 1992, assuming the board can find a way to invest the liquid assets so that returns on these investments do not fluctuate adversely because of the state of the stock market.

With turnover at the forecast level, and the trading margin hopefully returned to 2,7%, pre-interest trading profit would be around R162m. Should interest received and investment income together be about R12m instead of the 1991 year's R5,9m, pre-tax earnings will be about R174m — an increase of 24,5%. If the tax rate remains in the same range (37%-38%), as it has for the past two years, there is no obvious reason why this increase should not carry through to the bottom line.

It may be hoping for too much to expect EPS to reach 138c. But anything close to that should ensure the share retains its high rating.

Gerald Hirshon

Randburg CBD gets ready for big boost

Star 2/4/91.

By Jacqueline Myburgh

Randburg's central business district (CBD) is set for a major boost with more than 40 000 sq m surrounding the existing business district being earmarked for office space.

At a town council meeting last week it was decided that an area west of the CBD — currently zoned for flats — and a second area north of the business district, now zoned for residential purposes, can be used for business purposes.

The first area is west of Surrey Avenue, between Dover and Harley streets, and the Council approved a floor area ratio of 0,8.

The latter expansion of the business district is north of Bond Street and east of Main Road, and has been earmarked for office development with a floor area ratio of 0,3.

30

Dynamic

The chairman of the council's management committee, Andre Jacobs, said the town's CBD, as defined at present, was not yet completely full, but the new development was being carried out with a 15-year view.

"Randburg's CBD, as it is, is going to fill up in four years' time," he said.

Mr Jacobs said Randburg was a dynamic town, experiencing annual growth of 8 percent, and that there would be demand for increased office space.

He did not anticipate public opposition to the development, since the strategy had been planned through public participation.

At the same meeting, the council approved the upgrading and future development of the road network in and around the CBD, "as the need arises".

Woolworths signs up for Fourways

30

PETER GALLI

AFTER months of industry speculation, retail giant Woolworths has made a firm commitment to open a 3 800m² fashion and food store in the Fourways Mall north of Johannesburg.

Construction on the R170m project will start in June.

"This commitment ends months of speculation in the market place as to whether Woolworths would sign, and puts Fourways Mall ahead in the race for a viable regional shopping centre north of Johannesburg," Matrix Projects development director Athol Viviers said yesterday.

The 50 000m² Fourways Mall is scheduled to open in September 1992. Commitments have also been received from Hyperama and Ster Kinekor.

The complex will include a 15 500m² Hyperama, five cinemas, a health and raquet club, Clicks, CNA and a 10 000m² fashion component anchored by Woolworths.

The balance of the retail space will be tenanted by restaurants, financial services, furniture stores and fast food outlets. B/Day 3/4/91.

Leasing agent Ronnie Sevitz of Investec Property said the volume of inquiries from other national retailers far exceeded his most optimistic forecasts.

Negotiations were under way with Truworths, Foschini, Daniel Hechter and Hilton Weiner.

These and eight more deals were expected to be concluded within the next 10 days, Sevitz said.

"We will have no trouble renting out all the available space, and will probably even have to turn some people away," he added.

Union breaks off boycott of white stores

30

Sowetan 3/4/91.

By IKE MOTSAPI

THE South African Commercial Catering and Allied Workers Union has suspended the boycott of white businesses in Groblersdal, a union official said yesterday.

Mr Mathabatha Seema, regional chairman of the union's Groblerdal's branch, said his organisation decided to suspend the boycott of white shops for the time being "because everything is being done" to recover the body of Petrus Njomo, who was allegedly pushed into the Olifants River two weeks ago by a white colleague.

Body

Seema said the police had been doing their best to recover the body since Njomo was pushed into the river on March 19.

Njomo was allegedly pushed into the river by a white colleague while on a "fishing" expedition.

Mr Greg Hoffman, industrial relations manager of Wanda Furnishers, said the fate of the white man will be decided tomorrow when he reports for work.

The man is currently on suspension.

Consumer body wants VAT cut

B/Day 4/4/91

(30) (~~230~~)

BEVERLY HUCKLESBY

THE National Black Consumers Union (NBCU) has called on government to reduce the rate of VAT and to possibly exempt staple food items from the indirect tax system.

NBCU president Nonia Ramphomane said at a media conference yesterday if government wished to uplift the poor, then it should heed the con-

been dropped, liberating more cash into the industry.

"This means that all businesses will be in a position to sell us their wares at reduced costs as soon as VAT is introduced.

"The government must now show

Profurn out of red and on profit trail

(30) 188

Bday 4/4/91.

MARCIA KLEIN

FURNITURE retailer Protea Furnishers (Profurn) will achieve its forecast of a 33% increase in earnings to 30c a share for financial 1991, chairman Edward Ronbeck says in the company's annual report.

He says he is confident Profurn will sustain profitability "from a solid base and with the backing of the Supreme group" — the company was acquired by Supreme Industrial Holdings in September 1989.

In the year to end-December 1990 Profurn's earnings of 22,5c a share reflected a turnaround from a loss of 130c a share in the year to August 1989 on a 125% increase in turnover to R160m.

Ronbeck says "under the new management team installed by Supreme, significant managerial and operational restructuring took place resulting in the substantial turnaround for this period".

Growth opportunities in the furniture and television markets are expected and Profurn "is strongly positioned to take full advantage of these to further assist its organic growth".

Profurn has developed into "a major profitable furniture group operating in SA and the neighbouring states" in the first full year's trading activity since it was acquired, he says.

Ronbeck says results for the year reflect the successful implementation of asset management, expenditure controls and increased productivity. "The decision taken at the time of acquisition to concentrate on retailing furniture as the company's core activity was vindicated by the performance achieved."

He says results also reflect the successful expansion of two new chains, Supreme Furnishers, which operates in independent neighbouring states through eight stores, and TV Life, a specialist TV retailer selling to the local market through 11 stores.

Through consistent controlled growth and development, Profurn "has both the financial and operational resources to meet future challenges and is well positioned to take advantage of any improvements in trading conditions, especially in a sector which stands to benefit significantly from the socio-economic changes which will come about as part of the new SA".

During 1990 13 stores were closed, four stores opened and 10 stores resited.

All costs associated with these transactions were accounted for in the results for the year. The company has 69 profitable stores.

The company's future dividend policy is to declare a single dividend for the year covered at least five times by earnings.

Profurn has made an allowance of R51m for taxation on income in anticipation of possible changes to Section 24 of the Income Tax Act

1.9

CHECKERS

YOU SHOULDN'T PAY MORE

WILL FOREIGN CAPITAL SAVE THE CHECKERS' TROLLEY FROM CRASHING?

The vultures are circling over Checkers — as they have repeatedly in its 35-year history. The grocery chain — SA's second largest — has had 10 MDs in 20 years. Major shareholders, from the Herber family to Sanlam, have never shown a full commitment to the business, in contrast to rival Pick 'n Pay.

Now Checkers is publicly on the market again and being looked over by a mysterious Israeli consortium.

On the face of it, recent management moves have been sound. MD Sergio Martinengo is acknowledged as a highly competent finance and administration man. He does not have predecessor Clive Weil's unique charisma but has made some welcome changes, reversing the overwhelmingly centralised structure and trimming a bloated head office.

Martinengo acknowledged that the Checkers Warehouses were losing money and needed to be reviewed urgently. He closed the South Hills warehouse and the rest of the division has been absorbed into the supermarkets.

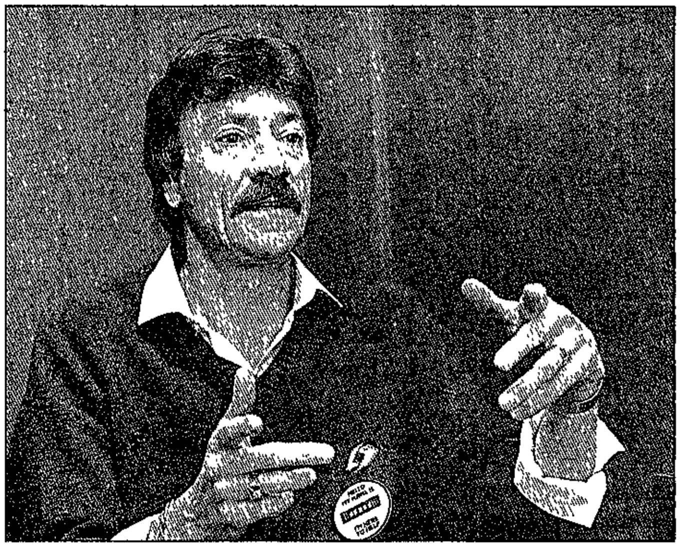
Yet there has been a reversal of fortune. Weil turned a R42m loss into a R23m profit; since his departure Checkers has slipped back into the red and lost R467 000 in the interim to December.

Martinengo says this is a hiccup, that the chain will return to the black by June 1991, make nice profits in 1992 and 1993 and reach its full potential by June 1994. But investors can be forgiven for scepticism. "Haven't we heard all this before?" is a phrase reverberating around the JSE. (Checkers is not listed but it is the main component of Sanlam's Tradegro.)

Natie Kirsh and Gordon Utian made similar promises of recovery just before Checkers' crash in 1985 — and it went back into the black only after a complete reversal of their policies. In view of this history, the grocery trade is understandably nervous. Jeremy Hele, of the Grocery Manufacturers' Association, says that many payments to suppliers have been held up by queries, an indication (perhaps) that Checkers is trying to hang on to cash for dear life

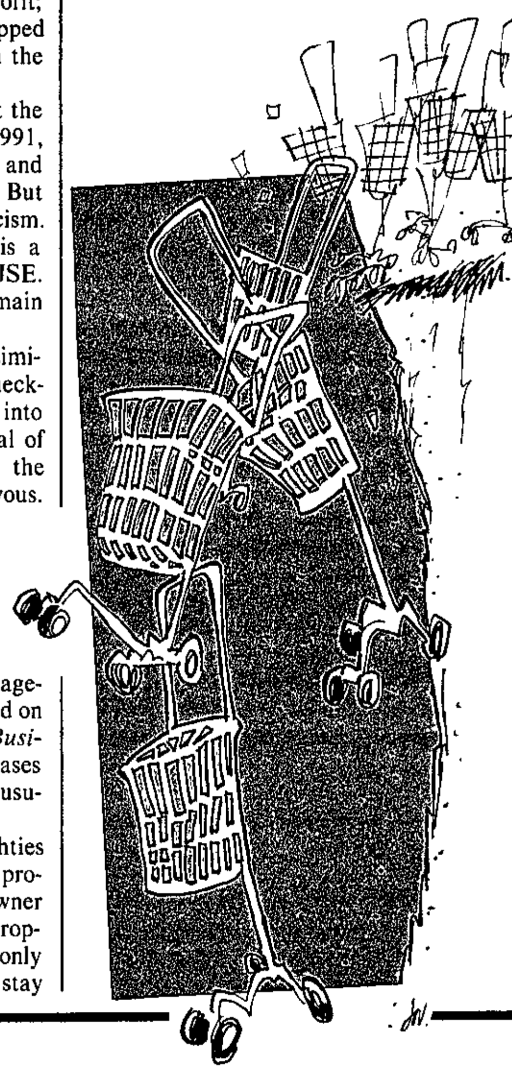
The most visible problem is not management but real estate. Martinengo touched on the issue in an interview with the *FM* (*Business* June 28): "Unfortunately, our leases have continuous trading provisions that usually make it very difficult to move."

It is the key dilemma. In the early Eighties Checkers went on a massive expansion programme. To improve cash flow, then owner Kirsh Trading sold its interests in new properties on a leaseback arrangement. Not only was Checkers obliged to pay rent and stay open, but as it took head leases it was responsible for collecting rent from other tenants.



MD Martinengo ... *facing a reversal of fortune*

While Checkers was determined to grab good sites and increase market share, its feasibility studies for the likely success of the stores were, at best, questionable. The most notorious blunder was the Rosebank Galleria, Johannesburg, which has not made a cent since it opened. Other dogs from that era include Brackenhurst, Ridgeway and Phalaborwa.



The institutions, which need to protect their shopping centres, are understandably reluctant to let supermarkets abandon a centre — so they lock them into clauses which force them to keep their doors open, often for 20 years. Even a company in the same stable such as Sanlam Properties has a commitment to treat Checkers on the same terms as other anchor tenants.

Says former Tradegro CE Mervyn King: "Retailers should test the continuous trading clauses in court. I have no doubt that an entrepreneur would fight these clauses."

Martinengo admits that the poor performers are a burden but argues that no more than eight stores are real drains. Of course, other stores would be marginal, and site for site its stores compare poorly with Pick 'n Pay's. So for the first time Checkers has appointed a director of planning and development, Clive Thomas, an accountant who previously ran the meat interests.

Nevertheless, Checkers is far more healthy than when Weil and King were given the task of turning it around back in 1985. Says King. "Checkers was then a step away from judicial management. Many loss-making stores have been culled and Checkers' sites are now a source of strength, not weakness. It is a powerful high-volume distributor."

Gaps in top management have also played a part Morale was hit when Weil left; top merchandisers John Williams and Brian Sacks left soon after. Fundamentally, Sanlam's reaction to past mistakes has been to be wary of an entrepreneurial culture. Weil left because Sanlam wouldn't pay him a premium for turning the company around.

This echoed the events of more than 20 years earlier when Raymond Ackerman left because he was not given a shareholding by the Herber family, and was not given full support by them He was able to carry out his ideas in his own chain, Pick 'n Pay.

Ever since, Checkers has been plagued by unfavourable comparisons with its newer competitor.

As Martinengo admits: "Checkers has been unable to establish an identity in the market. Certainly at one time we seemed to act like a 'me-too' Pick 'n Pay, but we are in a different business. We are firmly in the grocery business and do not have a large proportion of higher margin non-foods to support us. I would consider a 1,5% margin on sales very good in the areas in which we operate. With our product mix we cannot expect to achieve Pick 'n Pay's 2,5% plus."

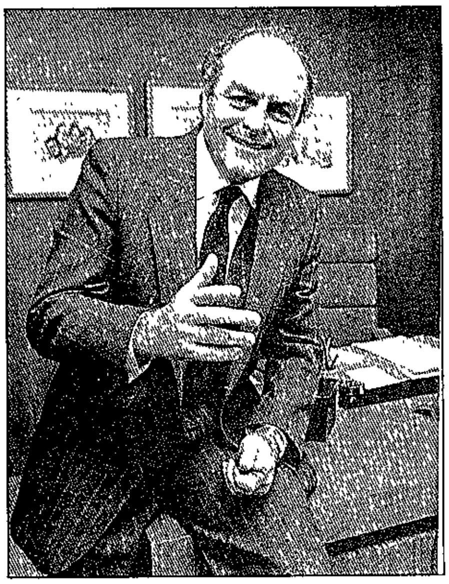
Failure to develop a non-food component has been a major negative for Checkers. Says Aloma Jonker, retail analyst at Mathison & Hollidge: "The hypermarkets sweeten Pick 'n Pay's margin; even more so, the Hyperamas are OK's strongest feature."

But Checkers is not such a lame duck that the Competition Board would allow one of its competitors to snap it up. Says board chairman Pierre Brooks: "Checkers may be in the red but it is not in such bad shape that the failing company doctrine could be invoked. This is used when one company absorbs another which is under imminent threat of liquidation, even if it gives the former control of a sector." This doctrine was used to justify FSI's takeover of Arwa, which gave it a monopoly of the pantihose industry.

"If Checkers is sold we would like the sale which will least disrupt competition," says Brooks. "We would not be keen to see its demise. The disappearance of such a major player would have a significant effect on competition in the retail trade."

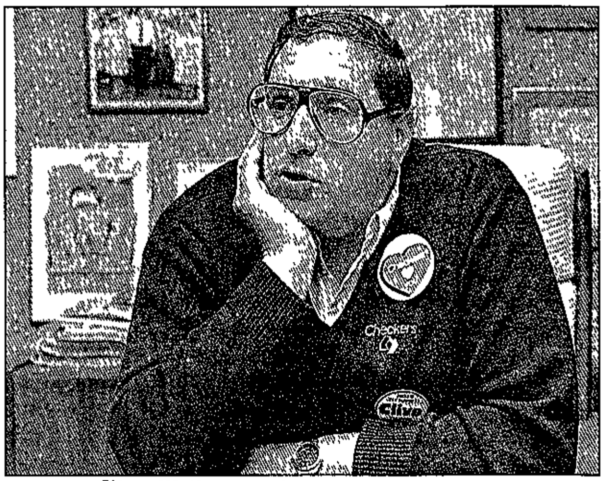
Not just the board, but probably the Cabinet itself, would not allow the demise of Checkers; 18 000 jobs are on the line. So if the Israelis do buy Checkers they are unlikely to be allowed to carve it up.

There is certainly an acute shortage of domestic buyers. In view of the chain's poor returns, it is unlikely that Sanlam could sell Checkers to another institution. Rivals Old Mutual and Liberty Life base investments on purely business grounds. They do not share Sanlam's desire to gain a controlling interest across key sectors.



Mervyn King ... *test the clauses in court*

A management buy-out, Rusfurn style, might look attractive if Martinengo really believes what he says about the chain's potential. It is no secret that this course was considered. But, unfortunately, potential financiers do not share his optimism. The worldwide trend is against highly geared buy-outs. In any case, the sheer size of the operation would make a Checkers buy-out much more difficult than Rusfurn.



Clive Weil ... *echoes of errors past*

Brooks will look very closely at acquisitions by any other retailer. The Israeli consortium, provided it is not fronting for a local operation, would be acceptable to the board — certainly more so than Pick 'n Pay, OK or even Pepkor. But Pepkor has a well-regarded supermarket arm in 70-outlet Shoprite, whose MD Whitey Basson is still bedding down last year's acquisition of Grand Supermarkets. Acquisition of certain Checkers sites would, though, give the Cape chain easy entry into the lucrative Transvaal market.

Cynics point out that it is difficult to find a decent supermarket in Israel and the expertise of the consortium lies in the diamond industry. Nevertheless, an entrepreneurial owner — prepared to reward management for turning Checkers around — could quickly restore morale.

Checking the suitors

Several suitors have sought Checkers for just a few sites. Game would like to turn some Checkers Warehouses into its own stores. Pick 'n Pay has for years cast covetous glances at a few sites, such as Hillbrow and Killarney in Johannesburg, Sea Point in Cape Town, and maybe three others. Brooks says that, depending on the circumstances in each case, the board would probably be more tolerant of the acquisition of certain sites.

But what would be the point of selling the most profitable sites if Checkers remains lumbered with the poor performers?

Martinengo is fighting hard for the integrity of the company and its 18 000 employees. But the Checkers name may already have too many negative connotations.

Says Jonker. "There needs to be a clean-out, particularly of middle management. There is no point in getting emotional about preserving jobs. Sanlam must be realistic enough to cut its losses."

If Checkers is sold the new owners are unlikely to care about Checkers' strategic role in the economy. Their decision to buy will be based purely on business principles.

The next question would be: Who to head the chain? No-one will do the job on a civil service-type package. The consortium would have to buy in retail talent. The easiest move would be to lure back Clive Weil and John Williams from Game. Even better, Shoprite's Basson would be worth a premium.

Alternatively, an expatriate South African could be brought back. Peter Dove, formerly the golden boy of Pick 'n Pay and now in Hong Kong, would be an excellent choice. The scientific management skills of former Edgars MD Adrian Bellamy, now in the US, would also make him a candidate.

It is most likely that the consortium would bring in overseas management. However, such imports would take a year or two to learn the peculiarities of the local market — and how to cope with SA's unique labour problems. Whoever takes over Checkers will have to tread warily on the labour front.

A supermarket should be eminently salvageable. Even if it works at no margin, it can make money from cash management and on the 13th month — the rebates it gets at the end of the year.

Once it has rationalised its store portfolio, and acquired clearer positioning in the marketplace, Checkers could turn out a good buy after all. But at the sort of price that Sanlam is likely to sell, trolley for trolley you certainly shouldn't pay more. ■

CB's Brooks .. *solution should not be disruptive*

Two CP towns face boycotts

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Sowetan 8/4/91

By THEMBA MOLEFE and MATHATHA TSEDU

THE West Rand towns of Krugersdorp and Randfontein face a massive consumer boycott before April 30.

A regional spokesman for the African National Congress, Mr Vusi Mavuso, said the organisation would consult other anti-apartheid formations, including the Pan Africanist Congress, the Azanian Peoples Organisation and civic associations to decide on when and how to implement the action.

"But it would definitely be before April 30, the deadline agreed upon in the Pretoria Minute for the release of all political prisoners," Mavuso said.

The boycott threat follows the armed Afrikaner Weerstandsbeweging offensive on Saturday which put paid to ANC attempts to march on the Krugersdorp Prison.

The march to the Krugersdorp Prison was cancelled following threats by armed rightwingers.

It was one of several planned by the ANC and its allies throughout the country to demand the release of political prisoners and the return of exiles.

Angry ANC supporters, who were also incensed by the bombing of a bus that was to take Toekomsrus marchers to the town, decided to boycott white businesses in the two towns at a meeting held afterwards at the Roman Catholic Church in Kagiso.

Damage to the bus was estimated at R35 000.

Arrested

An attempt to disrupt an ANC march on the Pretoria Central Prison backfired when AWB leader, Mr Eugene Terre'Blanche, and 13 other rightwingers were arrested for refusing to dismount the statue of Paul Kruger.

In Johannesburg, about 2 000 people marched peacefully to the Johannesburg Prison where a delegation, led by ANC leader Mr Andrew Mlangeni, handed a memorandum to prison authorities.

Alinah Dube reports that the march in Pretoria, led by Umkhonto we Sizwe chief of staff Mr Chris Hani and Mrs Winnie Mandela, was preceded by fiery speeches by the two leaders who said negotiations would crumble if violence persisted.

Mandela said prison doors would have to open "forthwith and the prisoners let out before negotiations or talks about talks" could be resumed.

March row: ANC calls for boycott

(30) DARIUS SANAI

THE ANC has called for a mass boycott of all white-owned businesses in Krugersdorp and Randfontein in response to the forced cancellation of an ANC march in Krugersdorp on Saturday. B/Day 9/4/91

Witwatersrand ANC spokesman Thami Luphoko said yesterday the boycott would probably start on April 20.

Saturday's march was aborted after thousands of ANC supporters were confronted by gun-wielding rightwingers.

Luphoko said the boycott would go ahead even if the town councils involved agreed to let the ANC stage another march. "They must be shown that our freedom of association is a right, not a privilege."

ANC stewards ordered people to turn back on Saturday because "we don't want to gamble with people's lives".

The date for the boycott will be finalised after discussions with Azapo and the PAC this week, he said.

He expected the ANC leadership to support the boycott, and that the liaison between the groups involved would make it "fully effective".

A spokesman for the Krugersdorp Town Council said he did not know of the boycott plans and the council was not planning to discuss the issue.

The Randfontein Town Council was unavailable for comment yesterday.

Plans for boycotts are denied

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Sowetan 9/4/91

THE Southern Natal region of the African National Congress yesterday denied it had planned a nationwide consumer boycott between April 8 and April 14.

In a Press statement, the ANC said although the National Campaigns Committee had agreed in principle to launch a nationwide consumer boycott, it emphasised that such a campaign could only be embarked upon "after a thorough consultation with all organisations and structures on the ground".

This consultation was still in progress.

"The ANC, the Congress South African Trade Unions and the South African Communist Party therefore declare there is no consumer boycott planned on those dates," the statement said. - *Sapa.*

Anglo's switch helps to boost new car sales

8Jv 10/24/91 (30.)

By Derek Tommey

The strong upward trend in new car sales in the first three months of this year — 15 090 in January, 17 416 in February and 20 369 last month — at first sight suggests that the motor trade and the economy are on their way to better times.

But unfortunately this is far from the truth. Sources in the motor trade say that much of March's good sales figures were the result of the Anglo American Corporation — SA's biggest company — changing its policy on company cars.

Dealers says that many Anglo American employees now receive a car allowance instead of a company car.

The has led to a new-car-buying spree by Anglo American employees, which has given a welcome boost to the smaller-car market.

It was not possible to confirm this report with Anglo officials yesterday.

But the auction marts have been selling a large number of cars recently, which have been advertised as coming from Anglo's head office and which seems to confirm the dealers' reports.

The March new car sales figures are the best since last August's slightly freakish figure of 20 460, and before that the best since October, 1988.

Sales of light commercial vehicles increased from 9 581 in February to 9 968 in March (last year, 10 350). But sales of medium commercial vehicles dropped to 364 from 412 in February and 478 in March, 1990.

Heavy commercial vehicles showed some improvement, rising from 446 in February to 557 last month, but this was below the 703 sold a year ago.

Altogether, new vehicle sales in March totalled 31 248, compared with 26 855 in February and 30 578 in March last year.

New vehicle sales for the first three months were 81 878, down from 84 871 in the same three months of last year.

The National Association of Automobile Manufacturers welcomed the increased sales in March.

But it said it was seriously concerned by the continued weakness in medium and heavy commercial vehicle sales.

It said the Government's decision to introduce value-added tax on September 30 on the basis of an immediate full input credit for capital goods could create serious problems for the new commercial vehicle sector.

It was likely to face cash flow problems in the next two quarters owing to the deferment of capital expenditure followed by a huge leap in orders for delivery in the fourth quarter.

Bert Wessels, chief executive of Toyota, said he was satisfied with the March figures, which saw his company increase its market share to above 29 percent.

However, he was not optimistic about the outlook for new car sales in the coming months owing to the difficulties facing the economy.

Confidence will plunge, ANC warned

By Michael Chester Star 10/4/91

The SA Chamber of Business has warned the ANC that the current weak level of business confidence in South Africa is likely to plummet even further as a result of its controversial ultimatum to the Government to meet new demands by a May 9 deadline or face a breakdown in political negotiations.

Sacob also forecast that potential new investments from overseas would be affected if political talks collapsed.

Concern over business reaction was voiced by Sacob at a news conference in Johannesburg yesterday at which it was disclosed that its business confidence index last month was at its lowest since apartheid caused the crisis in international isolation in 1986.

Sacob director-general Raymond Parsons said: "The whole busines mood is now fragile and vulnerable — appalled by the degree of violence in black townships and now by ANC threats to post-apartheid political progress."

Business sentiment both inside and outside SA was bound to suffer still more damage if there were a breakdown in political talks — with a dramatic impact on the chances of new investments vital to the faster economic tempo that was a prerequisite for political stability.

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Crucial

If the ANC genuinely wished to encourage foreign and local investment, said a Sacob statement, it would also have to modify its proposals about still heavier taxation burdens.

As successful overseas economies moved towards lower direct taxation, it was crucial that SA taxes stayed at competitive levels. A positive future tax scenario was essential if foreign and local investment was to be promoted.

The business world was deeply concerned about the combined effect that the ANC ultimatum and tax proposals could have on business confidence.

Vital social goals — such as adequate education, housing, health services and social pensions — became feasible only if the economy grew fast enough to finance them.

Sacob urged the ANC to understand that an even larger State share in the economy would inevitably produce still worse inflation and thus reduce SA's ability to achieve even a fraction of the social expenditures envisaged by the ANC.

Sacob appealed to all the parties concerned to make every effort to keep political negotiations on track.

● The ANC's decision to involve itself in negotiations with the Government had so isolated the organisation that it had ended up using the death of people in the townships "as leverage to boost its bargaining power at the negotiating table", the Azanian Students Convention charged yesterday.

Azasco publicity secretary Sipho Maseko said in a statement that "the present internal wrangling between the ANC and the Government" showed not only that negotiations between the two parties were a non-starter but also "the bankruptcy of the joint monitoring groups they have both established".

● The ANC Youth League yesterday issued a strongly worded counter-attack against Inkatha Freedom Party leader Chief Mangosuthu Buthelezi and said it was not surprised by his "insults and accusations" as he was "echoing his master's voice, President de Klerk".

Bludgeoned

This week Chief Buthelezi said the ANC's latest demands to the Government would plunge SA into a major crisis.

"Having run his KwaZulu bantustan as his own political domain and on a one-party basis, the IFP leader had ruthlessly amd ferociously bludgeoned any opposition," the Youth League said.

JD Group 'handles tough times'

B/Day 10/4/91

(30) (158)

MARCIA KLEIN

JD GROUP, which encompasses Joshua Doore, Price 'n Pride, Bradlows and Score Furnishers, will "remain undaunted by difficult times", chairman and MD David Sussman says in the furniture retailer's annual report.

While he makes no forecasts for the year ahead, Sussman says "the prospects of a new SA with social stability and the creation of jobs bodes well for all of us".

Sussman says the group increased its earnings almost 40% to 143,2c a share during the past year.

At year-end, Sussman said the group had sufficient retained earnings to meet any changes in Section 24 allowances.

Stock levels were consciously increased during the year to R86,6m from R59,2m "in anticipation of a shortage in availability", and although the group entered 1991 slightly overstocked, Sussman says all stock is "good clean saleable merchandise".

Borrowings were affected by an increase in credit sales and higher stock levels. Sussman says this is disappointing from a gearing point of view, but a wise long-term strategy as fixed interest rates at the time of the sales will be higher than expected rates during 1991.

Margins also remain under pressure.

In financial 1991 JD Group will be opening the first of an expected five central distribution centres.

Sussman says although turnover for the year to end-December increased 36,9% to R645,7m, a dramatic increase in sales "should not undermine the quality of the debtors' book".

Joshua Doore, with 24 stores, increased sales 33,5% while its debtor's book grew R50m to R154m. Bradlows, with 60 stores, increased sales 21,6% and its debtors' book grew by R42m. Sales at Price 'n Pride (23 stores) increased 56,8% and its debtors' book increased by R28m. Score Furnishers — with 68 stores — increased sales 38,9%. Its debtors' book grew by R25m.

March's new car sales up ahead of quarterly increase

B/Day 10/4/91

MARC HASENFUSS

PASSENGER car sales in March were bolstered by pre-emptive buying by the private and corporate sectors ahead of the quarterly new car price increases.

Figures released by the National Association of Automobile Manufacturers of SA (Naamsa) yesterday show new car sales, further aided by manufacturers' improved supply position, rose 7% to 20 369 units compared with the 19 045 units sold in the corresponding period last year.

Despite the prevailing high cost of finance and low levels of business confidence, light commercial vehicles (LCVs) held up well, and the sales decline was limited to a slender 4% to 9 968 (10 350) units.

Quarterly sales for passenger vehicles at 52 000 units are at the same level as last year, but LCVs showed a 10% drop to 26 520 (29 500) units.

Combined new vehicle sales showed a 2% increase to 31 258 (30 576) units for the month on the back of improved passenger car sales, but quarterly sales were down 3,5% to 81 878 units against the 84 871 units sold in the corresponding period last year.

Naamsa said the continuing weakness in the medium commercial (MCV) and heavy commercial vehicle (HCV) sales was of serious concern to the motor industry.

MCV and HCV sales in March fell 24% to 364 (478) units and 21% to 557 (703) units respectively.

MCV and HCV sales have remained severely depressed throughout the first quarter, with MCV sales 22% lower at 1 050 units (1 358) and HCV sales down 26% to 1 426 (1 917) units compared with the corresponding quarter last year.

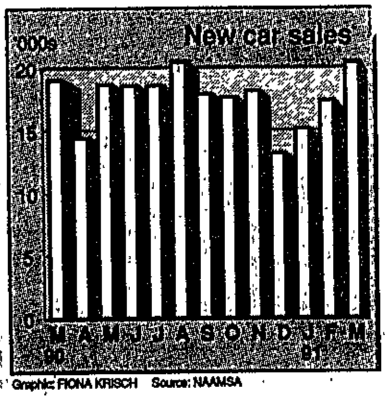
Naamsa said the introduction of value added tax (VAT) at the end of September this year on the basis of an immediate, full input credit in respect of capital goods could create serious problems for the new commercial vehicle sector of the industry.

Naamsa anticipated that, during the period leading up to the introduction of VAT, new commercial vehicle sales would be adversely affected by the inevitable deferment of capital expenditure by businesses.

Corporations would be able to acquire capital goods, including any type of commercial vehicle free from VAT by virtue of the fact of the credit companies would receive for tax paid on capital goods.

"Moreover, commercial vehicle manufacturers would probably face a quantum leap in orders for delivery during the fourth quarter of 1991, whilst experiencing cash flow difficulties during the second and third quarters."

In the light of government's decision to deny an input credit in respect of company cars, Naamsa said VAT was unlikely to disturb demand for new cars in the months prior to its introduction.



Graphic: FIONA KRISCH Source: NAAMSA

ANC threat 'poses danger to market'

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Sowetan 10/4/91

By JOSHUA RABOROKO

A BREAKDOWN in the negotiations would pose a serious danger for business sentiment inside and outside the country.

The South African Chamber of Business said this at a Press conference yesterday and urged the ANC not to suspend talks with the Government.

Sacob also questioned the ANC's tax proposals and the ultimatum to State President FW de Klerk to respond to certain political demands by May 9.

The ANC's threat to withdraw from the negotiating process would not be conducive to the creation of a positive investment climate in South Africa.

Economy

Sacob appealed to all the parties concerned to make every effort to keep political negotiations on track as there was a great deal at stake for the economy.

The reaction follows the weekend pronouncements by ANC deputy president Mr Nelson Mandela that the organisation would suspend talks if the Government had not taken steps, including the dismissals of Defence Minister Magnus Malan and Law and Order Minister Adriaan Vlok, by May 9.

Mandela warned of an increase in "mass action" because of the Government's "failure to honour agreements with the ANC".

Sacob said while it did not wish to become involved in party politics, nor did it want to discourage debate on major economic issues, it was deeply concerned about the combined effect which these twin developments could have on business confidence.

As pointed out, in the latest Business Confidence Index, although business confidence appeared to have stabilised in March it remained vulnerable to political uncertainty and continued violence.

rotest to ... Finance Minister says in an in-

Clicks stores repeat good performance

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B/Day 11/4/91.

LESLEY LAMBERT

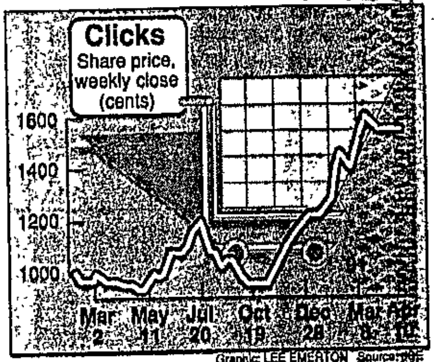
CAPE TOWN — Clicks Stores has reported its third consecutive year of strong growth, exceeding the projected R500m mark in turnover and showing a 25% increase in attributable profits to R20,5m.

The Cape-based retail group's performance for the year to March surpassed that of its competitors as consumers "bought down", shopping around for cheaper products in tough economic times, MD Trevor Honneyset said.

Turnover, which grew by 29,5% to R551,9m, continued to exceed inflation, Honneyset said. The group reported excellent sales in January and February this year, contrary to the experience of most other retailers, and the trend had continued into the current financial year, he said.

The profit margin dipped slightly from 7,67% to 7,5%, largely as a result of shrinkage and general increases in production costs, particularly labour costs.

But directors were happy with the overall result. "Hard work and a skilled management team who were able to respond to



Graphic: LEE EMERTON

consumer demand with creative buying and marketing policies enabled us to produce excellent results."

A major expansion programme, which increases the number of Clicks and Diskom stores from 165 to 195 by December this year, is on target. The group is bearing the full costs of the expansion programme in the years in which new stores are opened, but Honneyset expects the stores to compensate with good profits in future years.

☐ To Page 2

Clicks

B/Day 11/4/91.

30

☐ From Page 1

Another new development expected to improve future profitability is the acquisition in August last year of the in-store jewellery counters from concessionaires. The creation of a separate upgraded jewellery division has already boosted sales, Honneyset said.

The group will also make a significant investment in technology and will implement the first phase of its store-based computerisation programme this year. Ten scanning stores will be brought on line and a communications network, linking-up all group operations electronically, will be commissioned during the first phase.

Honneyset attributes a considerable increase in the interest bill (up by R400 000 to R656 000) to an above-average increase in stock levels.

Foschini hopes for continued growth curve

MARCIA KLEIN

CLOTHING and jewellery retail group Foschini was hopeful it would continue its pattern of growth in financial 1991, chairman Stanley Lewis said in the annual report.

Foschini, whose operating divisions include Foschini, American Swiss, Markhams and Pages, has shown a 20,5% compound growth in earnings and a 20,8% compound growth in dividends over the last 10 years.

In the year to December 1990, Foschini's consistent performance saw a 31,9% increase in net income to R73,4m and a 33% rise in earnings to 762,2c a share on a 24,3% increase in turnover to R822m.

The group also declared a share dividend from retained earnings in addition to a 225c cash dividend.

Lewis said the international recessionary climate could make the first half of the year very difficult.

He said financial 1990 had generated "an all-time record in earnings a share". B/Day 11/4/91

Foschini had an excellent year, in which seven new stores were opened, several relocations were made and many stores were fully refurbished. The division gained market share.

Financial 1990 was a year of consolidation and satisfactory profit growth for American Swiss. Six new stores were opened and 25 boutiques were established within the Foschini division.

Turnover levels increased in the second half despite hire purchase restrictions, and the jewellery manufacturing industry had approached the authorities in this regard.

Markhams opened 11 new stores during the year.

Four new Pages stores were opened during the year and a number were refurbished.

Faith in technology pays off for Foschini

(30)

Star 11/4/91

Diagonal Street

Jabulani Sikhakhane

Investment in technology and computer systems continues to benefit retail group Foschini.

The group operates four retail divisions — Foschini, American Swiss, Markhams and Pages.

Analysts suggest that Foschini remains the leader in merchandise technology in SA, but lags behind Edgars and Wooltru in debtor control and financial systems.

However, substantial investments are taking place in these areas.

The financial systems should be at a level comparable to those of Edgars and Wooltru by mid-1991, while accounts receivable should take until end-1992, an analyst says.

Chairman Stanley Lewis says in the 1990 annual report that all operations now fully computerised. All stores are linked to the mainframe computer and information can be captured every night.

This enables management to have timeous, accurate and detailed information to make quality decisions on the procurement and distribution of merchandise.

Foschini's major benefit from the investment in technology is the continued advance in the pre-interest margin from 15,7 percent in 1986 to 20,7 percent last year.

Directors note, however, that 1990's margin was an exceptional achievement, which will be a challenge to maintain in the current year.

Reviewing financial 1990, directors say the high accounts receivable relate to the increase in credit turnover in the second half.

For the full year, accounts receivable rose 30 percent to R320,135 million on a 24 percent advance in turnover. This growth necessitated increased borrowings.

Despite the higher borrowings, Foschini still managed to reduce gearing from 43,7 percent to 28,2 percent at year-end.

This was largely due to more cash generated by operations, which rose 32 percent to R187,942 million.

Capital expenditure was tightly controlled, with plans for a new distribution centre being shelved.

But directors say that shelving this centre was partly due to the introduction of new technology and computer systems, which enabled the more efficient use of existing space.

Last year, for instance, 25 new American Swiss boutiques were established within the Foschini Ladies' Division.

Analysts suggest that this format of jewellery boutiques within Foschini stores substantially improves its profits without any additional capital outlay.

The Ladies' Division, the largest contributor to group turnover and profits, continued to gain market share. The turnover index rose 26 percent, while trading space rose 2,4 percent.

Markhams was the star performer, with the turnover index up 29 percent and trading space up 10 percent.

Expenses were well-contained, with profits showing a healthy incraese.

American Swiss' turnover index rose 16 percent, with trading space up four percent. Directors say turnover levels improved in the second half, despite hire purchase restrictions.

Clicks lifts turnover to record level

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Stew 11/4/91

CAPE TOWN — Faced with the toughest trading conditions in its 22-year history, Clicks Stores produced its highest-ever turnover of R552 million —representing a 29,50 percent growth in the year to February 1991.

Operating profit before tax and interest was up 26,50 percent to R41,351 million (R32,677 million) and earnings attributable to shareholders were up 25,01 percent at R20,457 million (R16,364 million).

Chief executive Trevor Honneysett said he was delighted with the group's performance, especially as it came on top of consistently outstanding results over the past three years.

The year under review, however, had been exceptionally difficult for retailers as margins had again been placed severely under pressure from rising operating and service costs.

Hard work

"However, sheer hard work and the dedication of our people — coupled with a skilled management team who were able to respond to consumer demands with creative buying and marketing policies — enabled us to produce excellent results that included breaking the half-billion rand turnover barrier by more than 10 percent," Mr Honneysett said.

The expansion programme was on target and a further 31 stores were opened bringing the total number of Clicks outlets to 116 and Diskom to a national trading platform with 49 outlets.

Earnings per share were 25 percent up at 102,29 cents (81,82c) and the dividend for shareholders, also up 27,30 percent at 28,00 cents, gave cover of 2,4 times.

Total dividends for the year were 43 cents, up 26,50 percent. — Sapa.

Clicks beats recession

CM Times 11/4/91

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By **AUDREY D'ANGELO**
Business Editor

CLICKS Stores (Clicks) shook off the effects of the recession to achieve profits comfortably ahead of inflation in the year to February.

Although CE Trevor Honneysett said it had been "faced with the toughest trading conditions" since it was founded 22 years ago, the Cape Town-based group lifted operating profit before tax and interest by 26,50% to R41,3m (R32,6m).

Attributable earnings were 25,01% higher at R20,4m (R16,3m). This translates to earnings at share level of 102,30c. The final dividend is 27,30% higher at 28c, making a total of 43c for the year covered 2,4 times by earnings.

Turnover rose by 29,50% to a record level of R552m — against the trend in the past year, when most consumers were buying on credit and stores selling only for cash reported lower sales.

Clicks and its subsidiary chain Diskom, however, have successfully penetrated the black consumer market which normally buys for cash.

Honneysett said, in an interview yesterday, that the incomes of black people who still have jobs are higher and they have more disposable income than in the past.

He said the group's margins, at 7,5%, were slightly down from 7,6% the year before.

The main reasons margins had been under pressure were a 0,25% rise in shrinkage and theft, higher labour costs without a corresponding incraee in productivity and "general inflationary pressures".

He thought the rise in thefts, which was mainly in the Transvaal, was due to high unemployment.

Discussing prospects for the current year, Honneysett said sales for the first two months were 10% ahead of target. "I am very happy with our performance".

He intends to continue expanding both Clicks and Diskom this year. The group had 165 outlets — 116 Clicks and 49 Diskom — by the end of February.

"We are planning to open at least 30 more by the end of December," said Honneysett. "There is an outside chance we shall have 200 by then but we are definitely planning to end the year with 125 Clicks and 70 Diskoms."

Some will be in the Western Cape but most of the planned growth will be outside this area. Most of the profits come from the Transvaal, where there are now 49 Clicks and 10 Diskoms.

"The opportunities for growth in Diskom are enormous," said Honneysett.

Most of the Diskom branches are at busy commuter points but an exception is a new store recently opened in the Golden Acre. "Diskom is High Street orientated and Clicks is now mostly in shopping centres."

The group has already expanded outside SA. It is in Swaziland, where it trades under the name Safeway.

"We shall expand there," said Honneysett. "We are in Bophutatswana and are about to go into Lesotho. We are looking at Namibia — which seems to have settled very well. We have heard incredible success stories from retailers there."

CBD ASSOCIATION FM 12/4/91

END OF AN ERA (30)

Whither Jo'burg CBD? It's a question that has crossed many lips and been the centre of as many arguments over the years. The answers have been numerous and varied.

There are those who wrote off Johannesburg as the country's commercial capital years ago. They say the centre is dying and rapidly being replaced by vibrant decentralised office nodes like Sandton.

Others, while they accept decentralisation as a fact of life — as it is in many major cities — point to the changing face of the CBD as testament to the fact that it is thriving and has never been healthier. Johannesburg CBD, they say, is alive, well and facing a challenging future with confidence. Johannesburg is a multi-nodal city, they say, and the growth of areas like Sandton is actually an indication of the city's wellbeing.

Not surprisingly, one of the champions of this view is the Johannesburg CBD Association — an organisation which represents, promotes and lobbies for property and businesses in the centre of town. It is in their interests to ensure that the centre continues to thrive.

Established 14 years ago, the organisation was, until this week, headed by founding chairman and urban affairs consultant Nigel Mandy. But at Monday night's annual meeting he stepped down. With his departure from the hot seat the association has decided to restructure to meet the new challenges facing the city.

All of which involves the reorganisation of the association along the lines of Sapoa. Association member Bernard Snoedyk says this means setting up a small executive committee made up of the chairman, deputy chairman, a city councillor (possibly) and the chairmen of eight standing committees. These committees will concentrate on specific areas such as civic affairs or public transport and infrastructure.

The next element will be the association's council — elected by rank-and-file members. Its function will be to define the guidelines and convey the thoughts and needs of members to the executive committee. Under the new system the chairman will serve for a maximum of two years.

The envisaged structure will replace a council of about 30 members headed by the chairman. "That was fine when there was a person like Nigel who devoted an enormous amount of time to the association," Snoedyk says. "However, it is impractical if the chairman can't."

The general idea is that the association will be able to focus simultaneously on a broad range of issues. ■

NO RUSH TO THE TOWNSHIPS

(30)
FM 12/4/91

The Group Areas Act will be scrapped shortly but national supermarket chains are not exactly lining up to move into black townships.

The legal obstacles may be removed but the political and investment considerations remain, making it unlikely that the chains will open in black townships in the near future. The chains are heavily patronised by blacks in the downtown stores and in centres close to townships, such as Highgate and Southgate, near Soweto. This is because township supermarkets such as Black Chain can't compete on price and range.

But the chains are acutely aware that it would be a public relations disaster to open inside a township before it became acceptable to the community.

Pick 'n Pay chairman Raymond Ackerman believes that there should be a five-year moratorium to enable black business to develop. "I do not like regulation but I believe that there needs to be some compensation for previous disadvantages."

Pick 'n Pay supplies black traders through its Price Club wholesaling arm, so it can't afford to take away their business through its own outlets.

Such a moratorium would certainly be opposed by Shoprite, a Cape-based chain of 70 supermarkets specialising in the lower end of the market, which has declared its intention to move into undertraded areas of the Transvaal, such as the townships.

Ackerman's caution seems prudent. At one time food was the only commodity in which blacks were allowed to trade and it is still politically unacceptable for whites to own an equity stake in a food business.

Integrated Marketing Research's Teddy Langschmidt says: "The average black still perceives business to have been a beneficiary of apartheid, which offered cheap labour and easy access to capital and land."

Soweto retailer Richard Maponya says it is not yet acceptable for the chains to move into the areas in their own right, but that a partnership could soon be acceptable. "The black partner might not be able to match the chain rand-for-rand, but he should buy his share over a period." In the past, partnerships were considered fronts for white chains, and Pick 'n Pay gave up attempts to form joint ventures when local chambers of commerce refused to endorse them.

The most that has been accepted by township leaders in chambers of commerce and civic associations has been a management contract. The best known have been between the Score Group and Maponya's supermarket in Soweto and the Tembi supermarket in Tembisa on the East Rand.

Says Score's Ronnie Taurog: "We hope that we will be able to take equity stakes soon. We have obviously learnt a great deal about training in the townships that we would like to put to good use."

Shoprite is unlikely to open in the townships until equity stakes are permitted. Shoprite MD Whitey Basson says the chain will not open on either a franchise or management-fee basis but would accept a genuine partnership. "In the future, partnerships should be only people who can bring specific skills to the table, and not just a black face."

But, says Gill Stacey, who consults with major food companies on township trade: "Any white businesses establishing themselves in black residential areas will be increasingly questioned by residents. Black residents will patronise the large chains in white areas, but more militant factions among the black youth and political groups would oppose a move into their areas."

Township shops in Vosloorus ... *still a clear field*

Checkers was at the sharp end of militancy with its joint venture store in Mdantsane, near East London. It was burnt down in unrest. On the other hand, it has a successful store in Chatsworth, an Indian township near Durban, and Pick 'n Pay has a flourishing supermarket at Mitchell's Plain, the sprawling coloured area on the Cape Flats. Checkers MD Serge Martinengo says the chain will certainly look at opportunities in townships but go in as a fully fledged Checkers store only. "It would be disastrous if it was perceived to be a second-rate store. It must provide the same, full service as other Checkers."

Much will depend on the attitude of property developers. The main investors are life assurers who are obliged to put their fiduciary responsibilities to their policyholders over entrepreneurial hunches. Gavin Main, Liberty Life's director of shopping, says developers are naturally wary of such high-risk investments. "Not only is there a greater physical danger to the centre because of unrest, but we also have to be sure that we get acceptable returns from our tenants. For instance, there are township traders who still find turnover-related rentals difficult to grasp."

But institutions have already invested in certain township areas. Sanlam Properties, for instance, has a neighbourhood centre in Katlehong. Sanlam Properties GM Dolf Muller says higher risk investments are designed to "spice up" the portfolio, rather than to dominate it. Sanlam Properties has centres in Bisho, Ciskei, and Giyani in the northern Transvaal, as well as Chatsworth, and is building a centre at Mitchell's Plain. Maponya has had no takers for his proposal for a Cresta-sized centre in Soweto (*Business* March 15).

Muller, though, says he expects a cautious approach to be taken to black shopping centres, as it was to white shopping centres. "Shopping centre development has been an evolutionary process. First there was the ribbon development and the cluster of neighbourhood shops. In the Sixties a shopping centre meant a supermarket, 15-20 line shops and maybe 300 parking bays. It was another 10 years before regionals like Sandton and Eastgate were built."

Maponya is surprised by such caution: "There is a flood of people coming to Soweto from the rural areas. They want to be able to shop where they live, and not forced to go shopping downtown, or at best at the fringe centres on the outskirts."

These centres are close enough to Soweto to get traffic but the developers hedged their bets by making them accessible to nearby white suburbs. John Mackay, of property brokers Edwards Mortimer, says the recently opened Southgate centre would have had more long-term growth if it had been built much further into Soweto.

Boycott looms in Krugersdorp

Star 13/4/91

(30)

JO-ANNE COLLINGE

KAGISO residents will launch an indefinite boycott of Krugersdorp shops next Saturday in retaliation for the town council's refusal to allow an African National Congress march in the town last weekend.

This was announced yesterday by the Krugersdorp Residents' Association (KRO) at a press conference held in Johannesburg.

A statement released by KRO noted that no specific reasons had been advanced by the council when it refused to allow ANC members to march to the local prison to demand the release of political prisoners. "But because of the racist attitude that Krugersdorp has to black communities, threats by the right-wing element were not attended to. Rather, our community was then intimidated."

About 70 heavily armed members of the Afrikaner Weerstandsbeweging and Conservative Party patrolled Krugersdorp last Saturday to ensure that the march did not take place.

No place for racism

C Press 14/4/91.

American economist WALTER WILLIAMS argues against 'affirmative action' as a policy for the 'new' South Africa. He claims it benefits only the blacks who least need it – the business people.

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IF affirmative action had no effect on the masses we might dismiss it as just another false hope, but affirmative action actually does positive harm – and to those who can least afford it.

As apartheid begins to wind down there are increasingly louder calls for a race-based policy of affirmative action.

Much of this has a ring of reasonableness about it. After decades of State-imposed disadvantages blacks feel they need something extra to speed up their socio-economic progress.

What is meant by "something extra" has been made painfully obvious to me during several visits to South Africa, most recently in October.

One example is the debate about whether firms such as Pick 'n Pay and Checkers supermarkets should be allowed to do business in black townships.

If those firms began operations in black townships there would be several significant benefits for many blacks.

Blacks would have more convenient shopping opportunities, and a larger selection of goods at lower prices than what is available through existing sources.

The benefit of lower prices is significant when we recognise that a higher standard of living is possible through higher wages or lower prices for goods and services.

The argument against large white-owned firms having operations in the townships is that as black entrepreneurs have been discriminated against they cannot compete effectively with white-owned firms, which have had all the advantages.

I have been told that whites should be kept out of the townships to encourage the development of black entrepreneurs.

I countered the argument by offering two alternatives.

First, allow white firms to enter the market in black townships. If black people feel strongly about the development of black firms they simply should not shop at places such as Pick 'n Pay and shop instead with the existing small black merchants.

Thus Pick 'n Pay, for example, would go out of business in the townships.

Secondly, I suggested black people be allowed to hold a referendum on whether white firms should be allowed to enter townships.

Neither of these suggestions was warmly received. The significance of this attitude is that it reflects an unwillingness on the part of some blacks to eliminate apartheid entirely.

The position is identical to that when South Africa's racists laid the groundwork for apartheid.

The question for South Africa is whether current apartheid laws will be replaced with 'enlightened' apartheid – in which, for example, businesses in black townships are reserved for blacks only.

If such a practice comes to fruition in the 'new' South Africa blacks will have demonstrated that their struggle was not for freedom but merely to change the colour of the tyrant.

Only a tiny fraction of the black population – black businessmen – would benefit from keeping white businesses out of townships, and this will demonstrate that blacks too are as willing as apartheid's architects to impose high costs on the masses for the benefit of a few.

No doubt employment will also become a target of affirmative action programmes.

Again, there is an air of reasonableness in such a call.

Blacks have indeed been held back from the acquisition of skills and education to compete adequately with whites, who have had all the advantages.

There is however nothing one can do to change history except to acknowledge it and ensure no repetition of the past.

Wherever it has been tried affirmative action has failed to produce the desired results.

The task that lies before all South Africans is rather to eliminate once and for all every vestige of racial/ethnic privilege from their society.

Mashold launching new 'customer club'

B/Day 16/4/91

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MEDIA SPOT by Marcia Klein

MAIL order and direct selling company Mas Holdings (Mashold) is launching a customer club for its 3,5-million customers.

The launch is in line with the latest marketing trend in SA for customer clubs.

JSE-listed Mashold has nine mail order catalogues and three direct selling operations, with its subsidiaries selling clothing, shoes, crockery, household goods and educational books.

Mashold marketing manager Julian Ardagh says Mashold has "incredible reach into the black consumer market".

With more than 3,5-million economically active black consumers on the company's books, Mashold's catalogues and customer clubs are ideal vehicles for marketers to get their message across to this huge market.

"No other publication or direct mailing list has the same black consumer market penetration as Mashold's," he said.

New group club manager Richard Francis says the publication will offer editorial, special discounts and product samples, and aims to offer extra advantages for the group's customer base.

"We intend joining forces with various product manufacturers and marketers who are not in competition with the range offered by the group's catalogues, to create a range of benefits for our customers."

Francis says manufacturers will get exposure for their products through the vast customer base, and customers will get discount benefits, free samples or prizes.

Outside companies are also offered marketing opportunities by way of Mashold's vast customer base.

Low gold price, VAT setbacks for owners

(220) (30) (180)

The depressed gold price and the introduction of VAT have serious implications for the owners of commercial and industrial property, says John Whiting, chairman of Pangbourne Properties (Panprop). Star 16/4/91.

"About 50 percent of such property on the Witwatersrand is directly or indirectly dependent on gold mining," he says.

"If the gold mining industry takes a knock, so does the property industry."

Mr Whiting also saysthe closure of mines and cutbacks in production affects hundreds of goods and service suppliers in the industrial sector.

This could lead to a serious fall in demand for factory and warehouse space as well as office accommodation.

"The imposition of VAT at a rate of 12 percent from October 1 could lead to serious cash flow problems for commercial and industrial property owners.

Reclaim input

"Landlords will be obliged to pay the tax within 30 days of rendering month-end rental statements.

"They may, however, reclaim their input from the Receiver only when tenants settle their rental accounts.

"Unfortunately, many tenants, particularly in the current difficult economic climate, are late payers.

"This could tie up at the Receiver, interest-free, substantial funds which could be more profitably deployed elsewhere."

The big fish in the food chain

Star 18/4/91

30

The Competition Board, watchdog on monopolies, has launched a special investigation into the running of the massive R24 billion-a-year food retail trade. The outcome may be significant not only for black and white businessmen but also for consumers, reports MICHAEL CHESTER.

NEW STUDIES have revealed that no more than a handful of five supermarket chains control well over 50 percent of the multibillion-rand retail trade in food items that go into shopping baskets every year.

The combined total of 800 hyperstores and supermarkets run by the quintet of giants — Checkers, OK Bazaars, Pick 'n Pay, Spar and Shoprite — accounted for almost R13 billion of the R24 billion spent on groceries last year.

Superettes, each with an annual turnover of R1 million or more, shared R3,7 billion of the food market.

The balance — less than a third of the overall total — was divided between the 20 000 smaller-fry grocery shops scattered around both urban and rural areas.

Slice

The huge slice of food sales taken by the five giant chains was as much as 65 percent in and around Johannesburg and Pretoria at a recent count.

The pattern of whales and minnows inside the massive food retail business is under constant study by Ibis Marketing Information Services, whose computer databank is widely considered as crucial to the grocery trade.

Ibis joint managing director Gordon Pasley explains that hawkers miss the count because the small range of foodstuffs they offer does not usually put them in the bracket of full-scale grocers.

The spaza shops that operate in many black townships come into the count — but recent studies conclude that their combined impact on total food sales may be nowhere near as big as often assumed.

Popular guesstimates about the collective clout of spazas in retail sales may be hopelessly exaggerated, says Ibis. Recent news reports had put the number of spaza shops now in business as high as 35 000, sharing a combined turnover of a phenomenal R7 billion.

"Our own surveys, drawn from 125 field workers, put the real total of spazas at closer to 3 000," says Mr Pasley. "In foodstuffs, their combined sales could be only around R500 000 a year — R1 billion at most, nothing like as significant as suggested lately."

All of a sudden, the figures on the spazas and the breakdown of sales patterns in the grocery retail business have become far more than of mere academic interest.

They have come under an intense new spotlight as a result of the launch of a special investigation by the Competition Board, the State watchdog on monopolies and fair business practices.

The investigation is looking into all aspects of the supply and distribution of foodstuffs by retail outlets.

It was triggered by allegations by small producers that some retail conglomerates were guilty of dictatorial practices, twisting their arms to keep prices low — or run the risk of losing huge orders.

It is the sort of complex business affair that has drawn little attention from newspaper headline writers so far. It sounds dull — whines never to be settled. Yet there is a lot at stake for consumers in view of the mammoth size of food bills in household budgets — and the fact that everybody's pocket could be affected by the outcome.

The SA Chamber of Business (Sacob) has underlined one very important aspect in its own submission to the Competition Board investigators: the best performers among the large multiple groups end the day with pre-tax profits as low as only 3 percent.

The implications sound clear: SA consumers have little to complain about if they weigh the cost of shopping against such slender profit-margins, particularly when they reflect on the fact that net profits of the best of British supermarket chains come out twice as high at about 6 percent.

Nor does Sacob back away from the spotlight on the concentration of so much food retail business in so few hands. Though 50 percent of food sales may be dominated by five chains in South Africa, a couple of international comparisons makes that look nothing extraordinary at all.

Sacob points out that in Holland, as an example, 42 percent of sales go to only four chains — Ahold, Vendex, Superunie and Ziko.

And in Britain, as much as 60 percent of a much larger food retail trade is controlled by only five chains — Sainsbury, Tesco, Gateway, Safeway and Asda.

Moreover, Sacob senior economist Bill Lacey argues, there is still plenty of elbow-room for small traders and newcomers, especially if they use a bit of initiative and lure customers with the special advantages of personal service, location, phone-in orders and home deliveries, credit accounts and other merits which the giants cannot match.

Equally important in the debate stirred by the Competition Board probe, according to Sacob, is the chance to tackle the whole issue of market shares in the mammoth food retail trade from a black/white business angle now that old apartheid barriers are crumbling.

In its submission to the board, the chamber makes particular note of the unique divisions that apartheid caused to the food retail business.

Apartheid legislation prevented black businessmen from owning and operating shops in white areas, and white businessmen were excluded from black areas. What now?

"Sacob is not insensitive to the fears of small black retailers whose businesses might be threatened as a result of the removal of the Group Areas Act," says the submission.

"It might be argued that the abolition of all racial legislation should be accompanied by intervention measures which would provide for a transition period in the black areas which would effectively exclude any intrusion of the multiples and white retail operations in the black townships.

"This might ensure the survival of black retailing interests, but could only be to the cost of black consumers. Sacob could hardly be insensitive to black consumer interests, even if clothed under well-intentioned 'affirmative action' programmes.

"The resolution of this dilemma might require an accommodation in the form of some partnership arrangement which could satisfy in some respect the interests of the black community and black businessmen.

"To that end, Sacob believes that white and black business must examine new partnership techniques which would facilitate the adjustment process and evolve appropriate business strategies for the post-apartheid era.

"Furthermore, Sacob would be supportive of transitional measures — such as special financial assistance — to small black businessmen which would not interfere with the development of a single economy.

"If it is proposed that a racially divided environment be retained for whatever reason, then Sacob would express its unreserved opposition."

Sacob director-general Raymond Parsons confirms that talks are now likely with the National African Federated Chamber of Commerce and the Foundation for African Business and Consumer Services on the issue.

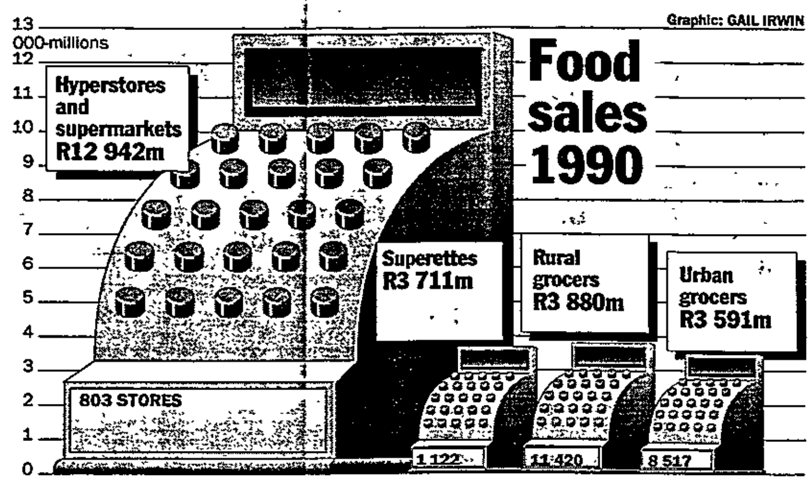
Bargains

The outcome of the partnership feelers could be important not only to black and white retailers but also to consumers.

Ibis researchers estimate that black township consumers spend as much as 80 percent of their food budget at white-owned stores in the big metropolitan centres.

"The reason is quite simple," says one researcher. "They need to find better price bargains than the ones on offer near to home. It is well known that shop prices in the black townships are normally quite a lot higher — often because of the damage caused in spasms of unrest and complex distribution problems."

The investigation launched by the Competition Board, whether intended or not, looks likely to open a brand new dialogue on black/white business relations. Considering the scale of food buying in all household budgets, there's much at stake for the retail trade — and consumers. □



Pep puts in bid for Harties

Star 18/4/91 (30)

By Derek Tommey

Pep, the country's biggest low-income clothing retail group with more than 900 stores, is negotiating to buy Harties from recently listed Hicor.

Harties, which has just over 200 stores, also sells clothing in the same market segment as Pep.

There is another link between the two groups. Harties' executive chairman is Renier van Rooyen, son of the Renier van Rooyen who founded PepG.

Hicor owns 90 percent of Harties' shares and was listed last November.

In addition to its store interests, it also has a clothing manufacturing division which makes schoolwear, and children and men's clothing.

Hicor's operating income increased 244 percent to R12 million in the year to February, 1990.

However, it is expecting only a small increase in operating income in the year to February 1991 and earnings a share to decline from 9,1c to 8,5c a share.

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Pep set to buy Harties stores

Business Staff

PEP, the country's biggest low-income clothing retail group with more than 900 stores, is negotiating to buy Harties from recently listed Hicor.

Harties, which has just over 200 stores, also sells clothing, footwear, blankets, and household goods for cash in the same market segment as Pep.

There is another link between the two Cape-based groups. Harties' executive chairman is Mr Renier van Rooyen, 34-year-old son of the Mr Renier van Rooyen who founded Pep.

Hicor owns 90 percent of Harties' shares and was listed last November.

In addition to its store interests, it also has a clothing manufacturing division that makes schoolwear, and children and men's clothing.

Harties neeed a R9 million capital injection last year to ease tight financial constraints.

Rapid growth curbed its ability to generate positive cash flows, the directors said in the last financial report.

Harties planned to continue its stores expansion, but the rate of growth was expected to taper off.

Hicor's operating profit increased 244 percent to R12 million in the year to February 1990.

However it is expecting only a small increase in operating proft in the year to February 1991 and earnings a share to decline from 9,1c to 8,5c a share.

Harties, started by Mr Renier junior, grew from five stores to 180 and kept profitable.

The shops are basic in fittings and appearance with gaudy decor, bright colours and simple furnishings. Average shop size is 230 square metres.

Harties has more than 30 shops outside South Africa, most of them in Namibia and others in Lesotho, Boputhatswana, Transkei, Ciskei, Venda.

Humdrum year feared for household goods

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B/Day 18/4/91.

MARCIA KLEIN

NEGATIVE real growth in the sale of white and brown goods is expected over 1991.

Sales of appliances this year would be measured off a high base, due to the dramatic increase in demand after the lifting of hire purchase restrictions in March last year, industry operators said.

Growth in appliance sales had been steadily decreasing after reaching a peak in October last year.

Retailer Liaison Committee chairman Derek Russell said consumer spending, which stayed high for most of 1990 "fuelled by credit", would be modest this year.

He estimated that appliance sales would show a negative growth rate of between 7% and 8% over 1990, and 1991 would be a "difficult year" for the industry.

Russell said legislation which brought in HP restrictions in 1988 had "knocked the electrical market heavily in terms of sales growth, and demand levels for electrical products fell off dramatically".

By the time restrictions were reduced in March 1990, furniture sales were increasing by over 20% while appliance sales were growing by only 5%.

With the resurgence in the electrical appliance market after March, appliances did not come back as strongly as sales of audio equipment and TV.

In the 12 months to December, appliance sales were 26% up on the previous year, reaching a peak in October and showing a steady decline since then.

February's sales figures had bucked the trend slightly, but this was off a low base as sales figures for February last year had been negative. The downward trend since last October was likely to continue this year, Russell said.

However, there was "huge potential in the medium-term, and the introduction of refrigeration and electricity into some could see sales grow dramatically.

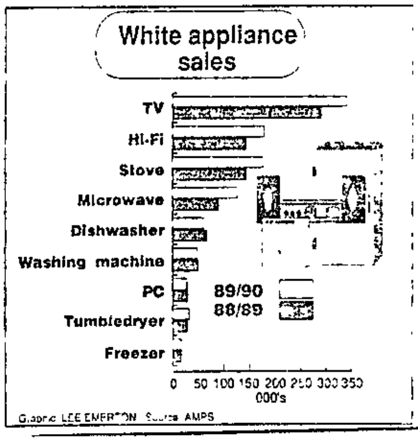
OK marketing director furniture and appliances Arthur Solomon said there would not be growth in the sale of white and brown goods this year. Growth would be up by about 15% in rand terms, in line with inflation.

The market for TV sets would be about 300 000 for colour units and 200 000 for portable black and white. About 70 000 to 80 000 VCR units would be sold.

Solomon said the increase in sales since last March meant that the base had increased dramatically. This made real growth this year particularly difficult.

Buying patterns had changed, favouring electrical appliances, with the electrification of township areas. Recent trends included the upgrading of TVs from black and white to colour, and bouyant sales of smaller electrical appliances.

In the black consumer market, there had not been much growth in sales of video recorders and M-Net decoders.



Pepkor 'looks at Harties'

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MARCIA KLEIN

BDay 19/4/91

PEPKOR yesterday confirmed it was looking at buying a Hicor division, Harties Stores.

Pepkor MD Arnold Louw yesterday would not furnish any details other than to say the group was looking at a possible deal.

This follows the recently listed Hicor's cautionary announcement earlier this week that negotiations were taking place that could affect the price of Hicor's shares.

Hicor is the holding company of listed manufacturer Allwear and Harties, which is a retail chain with 206 outlets. Hicor executive chairman Renier van Rooyen is the son of Renier van Rooyen, who founded Pep Stores more than 25 years ago.

W Rand towns face consumer boycott

By Stan Hlophe Star 19/4/91 (30)

The ANC plans to launch a consumer boycott on the West Rand starting tomorrow in protest against the allegedly racist attitudes of the Krugersdorp and Randfontein town councils.

Krugersdorp Civic Association publicity secretary Nomvula Mokonyane told The Star that the boycott was aimed at pressuring the business sector, as ratepayers, to force the councils, which she said were racist, to negotiate with the two civic associations.

Ms Mokonyane said the boycott followed several racial incidents carried out by rightwingers and AWB members in the past four months.

She said public facilities were still closed to blacks despite the scrapping of the Separate Amenities Act.

And blacks were still being denied freedom of association and movement in the two towns.

The latest incident was the refusal of permission for a march to Krugersdorp prison by the local town council and the burning of a bus by the AWB in Toekomsrus.

Discipline

Ms Mokonyane said that during a march on April 6, the AWB had paraded with rifles in a bid to intimidate the ANC.

She added that the town councils had refused to negotiate with the civics and the TPA for a nonracial metropolitan chamber. Another reason was the removal of black taxi ranks in the city centre.

Ms Mokonyane appealed to the community to exercise discipline during the boycott and said intimidation would not be tolerated.

Marshals would monitor the boycott and explain to people found shopping in town the reason behind the campaign.

The ANC was optimistic that it would be as effective as previous campaigns, she said.

The boycott has the support of the local black business body, the taxi association, the SACP, Azapo and Cosatu.

To alleviate possible hardship by consumers, the taxi association has cut the fares from Kagiso to Johannesburg by 90c. The rate is now R3. From Kagiso to Roodepoort it will be R1,40 instead of R2,30.

Tables turning in CP town as blacks employ whites

Star 19/4/91 (30)

By Willie Mashau

LOUIS TRICHARDT — Ten Louis Trichardt whites have applied for employment at four businesses owned by blacks in the CP-controlled town and will start work in June, a black businessman said on Tuesday.

Ducksy Mukhondo said that although blacks register their businesses under the name of a white nominee friend, it is known that they are the sole owners of the business and they receive custom from all races.

The businesses include hair salons and a unisex outfitter which operate in the central business district. "Nobody is against us except the town council," Mr Mukhondo said.

Most of the shop owners in the town do not object to blacks operating among them, except for a few who feel that their town is being invaded, he said.

"They (blacks) will in the end try to attend our churches and enrol their children in our schools, which will then be unacceptable as they will erode our culture," a confectionery shop owner said.

Town clerk Hein Basson said he was "not aware of any black businessman in the town".

Mr Basson would not comment on whether the town council had given in to the December 1990 consumer boycott committee demand that the CBD should be opened to all.

FM 19/4/91 (30) FOX

CLICKS

EXPANSION KICKS IN

As long as successful new store openings are maintained at the current rate, Clicks could continue to increase EPS at 20%-25% annually until at least 1995. A challenging statement? Certainly. But the results for the year to end-February offer support for that view.

Turnover was up by 30%, with trading profit, earnings and the dividend all rising by more than a quarter. As in previous years, the expansion of the trading base was a major cause of the improvement.

There are now 116 Clicks stores, up from 101 a year ago. A well established trading recipe is in place. It seems the group has developed a consumer acceptance and a market image as a leading toiletry retailer "where the shopper genuinely pays less." Its mainly white customer base includes a wide range of income groups and the emerging middle-class black buyer is supporting the chain in rising numbers.

Diskom is the group's newest toiletry and gift retail chain. As group CE Trevor Honeysett puts it, Diskom's merchandise has a "bottom of middle- to lower-market feel about it." The chain serves a burgeoning black clientele and grew from 33 to 49 stores in the 1991 year. It, too, has an established trading recipe that Honneysett says is widely accepted.

Stores in the Clicks chain are typically sited in major shopping centres which usually involve a lengthy planning period. In contrast, the Diskom stores are situated in strip-type or downtown locations where an opening can be planned and effected within three or four months — an important reason why the chain has been growing much faster than Clicks.

BIGGER BASE

Year to February 28	1989	1990
Turnover (Rm)	426	552
Operating profit (Rm)	32,7	41,4
Earnings (Rm)	16,4	20,5
Earnings (c)	81,8	102,3
Dividend (c)	34	43

While, on average, it takes two Diskom stores to do the turnover of one Clicks outlet, a Diskom store occupies about half the space, is more easily controlled, requires a smaller ratio of staff to sales and makes a larger profit contribution.

Ambitious expansion plans remain on track. The formidable target of 200 Clicks and 300 Diskom stores in operation by 1995 becomes more realistic with each passing financial year. There should be no difficulty in funding the development from internal resources (*Companies* June 15).

The groups sells only for cash, so the performance over the past year — when most retailers reported a softening of cash sales — shows the resilience of the trading

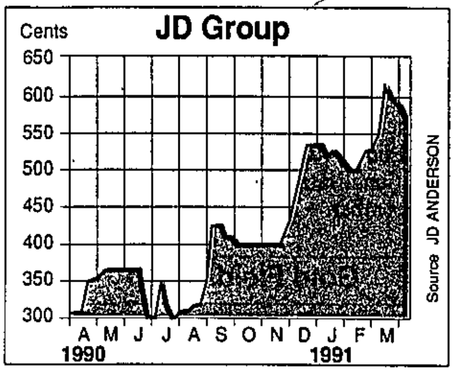
FOX FM 19/4/91 (30)

operations.

At 1 600c, the share price has almost doubled from a year ago. The final dividend of 28c brings the total to 43c, which puts the share on a yield of 2,7% and a p:e of 15,6. For a counter that looks capable of doubling its earnings every three years the price is not excessive.

Gerald Hirshon

FM 19/4/91



be the case — expanding credit sales should enable the group to derive a higher proportion of its income from financial activities. As Sussman points out, the fixed interest rates prevailing at the time of doing the sales will be higher than the rates the group expects to be charged on its own borrowings during 1991.

Even so, interest and leasing cover had dropped last year to 2,9 times, so pre-tax profit could well prove brittle should sales slow abruptly this year. However, it's hoped that any easing in economic conditions will result in a stronger sales performance at the non-discount chains, the 60-store Bradlows and the 68-store Score Furnishers, with favourable effects on margins.

On present indications, increases in earnings and dividend of at least 20% still look attainable for this year, while rising credit sales will help to fuel longer-term growth. The share looks reasonably priced on an historical dividend yield of 3,8% and p:e of 4.

Andrew McNulty

FOSCHINI FM 19/4/91 (30)

TRADING WELL

Activities: *Chainstore, retailing clothing and jewellery.*
Control: *Lewis Foschini 53,22%.*
Chairman: *S Lewis; MDs: C Hirschsohn; B Belcher.*
Capital structure: *10,2m ords. Market capitalisation: R1,37bn.*
Share market: *Price: 13 500c. Yields: 2,3% on dividend; 5,6% on earnings; p:e ratio, 17,7; cover, 2,5. 12-month high, 13 500c; low, 6 000c. Trading volume last quarter, 5 620 shares.*

Year to Dec	'87	'88	'89	'90
ST debt (Rm)	13,5	2,4	14,4	13,8
LT debt (Rm)	30,7	40,4	60,5	56,8
Debt:equity ratio	0,33	0,27	0,39	0,27
Shareholders' interest	0,44	0,42	0,41	0,45
Int & leasing cover	9,1	11,4	7,5	7,8
Return on cap (%)	26	30	29	31
Turnover (Rm)	407	529	661	822
Pre-int profit (Rm)	69,5	99,9	125,2	170
Pre-int margin (%)	17,1	18,9	18,9	20,7
Earnings (c)	333	488	573	762
Dividends (c)	141,4	206,0	242	311
Net worth (c)	1 218	1 500	1 834	2 450

Foschini's results for the 1990 financial year were considerably better than most analysts expected. An exceptionally buoyant second half reflectng operating profit growth of 37% enabled the group to record an impressive performance for the full year.

The turnover advance of 24% was about in line with most analysts' forecasts, but the net operating income jump of 35% surprised almost everyone. Joint MD Clive Hirschsohn says there were many reasons for this leap.

He notes the pre-interest margin rose to a record 20,7% thanks to hard-won productivity increases. These were achieved across two fronts. Firstly, the group's clothing companies had their best clearances ever, resulting in an important profit contribution. Secondly, and more significantly, the investment in information technology is paying off. This is helping to improve stock control and the efficiency of purchasing and distribution.

Hirschsohn says most of the real growth in turnover can be ascribed to demand from the black sector, as off-take from white consumers has been stagnant for several years. Asked if easier credit conditions were responsible for the additional sales, he says that while the percentage of cash sales has fallen marginally, the group has not changed its policies on granting credit recently.

Moreover, though accounts receivable are up by 30%, Hirschsohn says "the collection rate remains satisfactory and the average days outstanding have hardly moved at all."

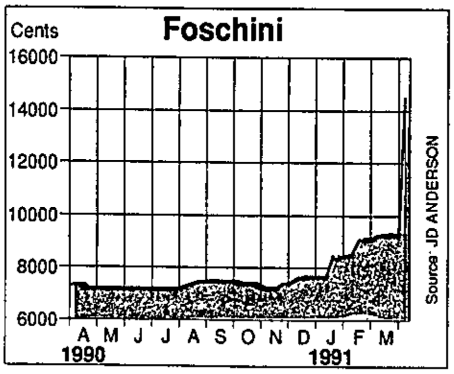
New store openings apparently did not contribute materially to the bottom-line result. Most only came on stream during October and November. Of the 22 new outlets opened during the year, the men's clothing chain, Markhams, accounted for half. This partly explains the 29% increase in the Markhams turnover index, compared with 26% for Foschini and 16,3% for the jeweller, American Swiss.

Tight control was maintained over capital expenditure, most of which continued to be channelled into information technology. This investment has enabled plans for a new, multi-million rand distribution centre to be shelved. Restraints on capex also enabled lower gearing, even though additional borrowings were needed to finance the enlarged debtors book.

Ordinary share capital was increased because 0,5m new shares were issued at R72,33 per share to pay for the purchase of 1m Lefic shares, for a new staff incentive scheme. And, to celebrate the good results, a special scrip dividend bonus of one ordinary share for every 23 held has been declared, based on a share price of R91. The premium generated from the issue of the new shares, together with the share distribution reserve created from the current year's retained earnings, has meant an increase of R77,1m in shareholders' funds. The current distribution reserve will be reflected as new shares in the 1991 accounts.

Stanley Lewis does not offer any predictions for 1991's results. However, Hirschsohn says real growth is budgeted.

Apart from the 1985 dip in profit, the group has an outstanding record (return on average shareholders' interest over the past nine years averages 60%). In the past few



weeks the share price has risen to R135, from around R75. At the current p:e, it is in line with the average for the sector, but still offers value. The small number of shares traded emphasises that the counter is held in firm hands.

Gerald Hirshon

CUSAF FM 19/4/91

A VINTAGE YEAR

Activities: *Composite insurer.*
Control: *Commercial Union London 36%, UBS 28%, GFSA 24%.*
Chairman: *A M D Gnodde; MD: J A Kinvig.*
Capital structure: *10m ords. Market capitalisation: R245m.*
Share market: *Price: 2 450c. Yields: 4,3% on dividend; 13,5% on earnings; p:e ratio, 7,4; cover, 3,2. 12-month high, 2 500c; low, 1 650c. Trading volume last quarter, 11 000 shares.*

Year to Dec	'87	'88	'89	'90
Total assets (Rm)	305	432	572	724
Solvency ratio (%)	43,3	70,6	88,8	95,3
Underwrit profit (Rm)	10,9	21,3	11,5	(14,9)
Inv income (Rm)	18,1	26,1	35,1	38,4
Pretax profit (Rm)	27,8	43,0	50,5	31,2
Earnings (c)	187	312	387	331
Dividends (c)	57	75	95	105
Net worth (c)	1 090	1 629	2 335	2 896

The short-term insurance industry may have problems but in the case of Cusaf these have not spread to shareholders, for whom 1990 was a vintage year. Since the *FM* reviewed the 1989 annual report the share price has bounded from 1 700c to 2 450c. Adding in the 105c dividend brings the total investment return to a shade over 50% — far higher than the 1988 return when, operationally, the industry was at the peak of its fortunes.

One reason for the rerating may stem from expectations in the market that if there is to be an Absa-style rationalisation of the insurance sector, Cusaf — which has UBS as one of its three major shareholders — would be included. But management believes this would not be the case and suggests other reasons for the rerating: the shares are tightly held; the group has produced consistent growth in dividend and net worth; and there is substantial value in Cusaf's life operation.

In fact, even when rationalisation prospects are excluded, it would not be difficult to justify the performance of the share. The group has so far weathered current industry

continued →

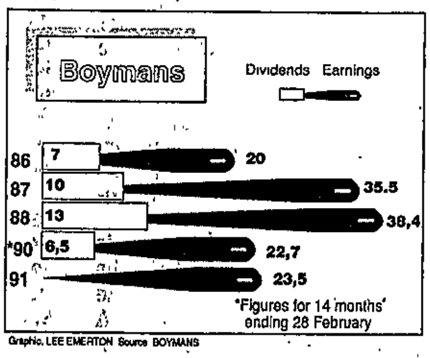
Boymans maintains earnings and halts downward trend

BDay 17/4/91.

MARCIA KLEIN

SPECIALITY clothing and departmental chain Boymans has halted its downward trend by maintaining earnings in the year to end-February.

The group, which trades under John Orr's, Levisons, Deans, Cyrils, John Scott and Woolfsons, increased its attributable earnings by 3,2% to R2,5m for the year, compared with R2,4m for the 14 months to end-February 1990. There was a similar increase in earnings to 23,5c (22,7c) a share.



Graphic: LEE EMERTON Source BOYMANS

This was in spite of the economic downturn aggravated by consumer boycotts and high interest rates, directors said.

Financial director John Connaway said yesterday said the year had been particularly pleasing for the company, which had managed to come back after "bottoming out" at the August 1990 interim stage, when it reported a 38% drop in earnings to 9,3c (15c) a share.

At year-end operating profits had increased by 10,7% to R14,2m (R12,8m) on a marginal 0,9% increase in turnover to R190m (R188m).

During the year Boymans embarked on an asset reduction programme. Connaway said stocks had come down nicely.

Interest paid rose by 16,8% to R9,2m (R7,9m), bringing pre-tax profit up slightly to R5m (R4,9m). Connaway said the interest bill was kept at a level lower than the group had budgeted for.

Despite the fact that rationalisation was costly, the balance sheet had been tidied up with stock levels significantly reduced and gearing contained.

Net profit for the year was up by 3,1% to R2,5m after a small reduction in taxation. Retained profit was R2,5m, compared with R1,7m for the 14 months to end-February 1990.

Boymans did not declare a final dividend.

Connaway said earnings were likely to continue improving in financial 1992.

Boymans's share closed yesterday at 130c after reaching a yearly high of 145c in August and a low of 120c in May 1990.

W/E ARGUS 20/4/91

P 'n P picks up

30

From JOHN SPIRA

JOHANNESBURG. — Blue-chip retailer Pick 'n Pay is showing signs of staging a comeback after initial market reaction to the results for the year to February took the shares down from 2425c to 2150c.

The price has revived to 2350c — ostensibly on further consideration of figures which showed a mere five percent gain in earnings a share in the wake of (among other factors) a steep increase in shrinkage.

Because of Pick 'n Pay's high-profile investment status, much comment has followed the results — some negative, but mostly positive.

Davis Borkum Hare analyst Lindsay Lurie is among the optimists, drawing attention to the following bull points:

- The company's turnover is expected to increase substantially in 1992 and 1993 because of increasing consumption demand for non-durables and semi-durables as the trading down element comes to the fore in a tight economy.

"Continued increases in private consumption expenditure projections are based on the assumptions that the redistribution of income is increasing, together with a concommitant rise in the purchasing power of the majority of the population, ultimately due to the increases in permanent remuneration in the long term."

And Pick 'n Pay's market share should continue to increase owing to ongoing expansions and refurbishments in the trading area, the franchising format which is still being developed, the company's "superlative technological infrastructure" and the extension of its consumer base.

- Profitability will increase substantially owing to the inherent operating efficiencies of EFTOS (Paynet).

"This system, which constitutes the provision of a banking facility, provides the company with a marketing advantage and encourages consumer spending because it makes finance more available.

"Ultimately, not only is it easier for customers to make purchases with the use of debit cards, but this simultaneously opens up a new customer base.

"This advanced technology renders Pick 'n Pay far more resilient than its competitors in counteracting any slump in profits which may arise from solely cash-based trade in particularly tough times."

- Pick 'n Pay's scanning technology helps to reduce shrinkage by facilitating the identification of its sources.

"It is obvious that Pick 'n Pay is well ahead of its competitors in curtailing shrinkage it is estimated to be less than 0,5 percent to the 1992 financial year-end.

"The sources of organised crime in terms of backdoor shrinkage have already been arrested."

- The analysis suggests that the company's operating efficiency which will be necessary to handle VAT is more than adequate owing to Pick 'n Pay's advanced technology and in-house training.

- The management of working capital shows continued improvement the stock turn of 13,4 times is "very encouraging".

- Return on capital employed is averaging 27 percent.

One of the biggest drags on profitability in the past financial year was the slump in investment income (unlisted ordinary and preference shares, insurance contracts and loan levy) from R14,2 million to R6,4 million.

It was the tax-free proceeds from insurance contracts that failed to meet expectations.

The firm believes investment income in the current year may revert back to 1990 levels, because:

- Management is considering the sale of insurance contracts. If sold, they would raise cash of between R56 million and R66 million, which funds could earn attractive rates of interest.

If the contracts are not sold, investment income could well improve, though this is subject to the buoyancy or otherwise of the stock market.

The firm recommends that the shares be bought, though the report was compiled when the price stood at 2150c.

Yet the recommendation was clearly based on a view covering the next two years, in which event the price difference should not affect the conclusion to any material extent.

MAURICE HARTSHORNE: Aggressive marketing Picture: TOM EDLEY

Sterns turns corner to profitable trade

S/Times (Bus/T) 21/4/91. (30)

By IAN SMITH

BACK to basics has been good for national jewellery chain Sterns which faced liquidation only 18 months ago.

The group, a household name for much of its 100-year history, is likely to be around for quite a while longer after a quick turnaround in its fortunes.

The new owners won control of Sterns with a R12-million sealed bid in competition with Foschini subsidiary American Swiss. They took over the losing 72-store chain three weeks after TrustBank moved into the branches to secure R6,2-million advances.

The industry was sceptical about the privately owned Goodgold-Tanur consortium's confidence that it would restore Sterns to profitabilty. Losses were running at "horrendous" levels, staff morale was at rock-bottom and stores were denuded of stock.

But managing director Maurice Hartshorne, who moved in with the new owners, says the group started its current year this month with a clean slate and is back in the black.

Fallen

While the stores have been brought back to profitable trading and staff has been remotivated, Sterns has paid creditors every cent of R4,5-million owing at the time of the takeover. All bad-debt and stock discrepancies have been brought to account.

There are two more branches than there were at the takeover, five new stores will open this year and a refurbishment programme is well under way.

Staff numbers have fallen through natural attrition, but the salary bill has increased.

"We believe we pay above the market rates, but productivity has increased," says Mr Hartshorne.

It's been a remarkable recovery for a retailer of non-essential — not to say luxury — lines at a time when disposable income has been under tight squeeze in a deep recession.

But there has been no magic recipe for success. Mr Hartshorne, a former Edgars executive, says much of the credit must go to the new owners' commitment to rebuilding the group and to sound retailing.

"Many people in the business believed they had overpaid for Sterns. There is no doubt they bought little more than the name, locations — and lots of problems.

"But it would have been a sad day if Sterns had been allowed to die."

Sterns sold diamond engagement rings to three generations of South Africans. At one time it was credited with selling more engagement rings than all other retailers combined.

Lunch

But financial problems came to a head after control in the listed Sterns Diamond Organisation was sold by the Barnett family, which had owned it for 40 years, to a UK company holding family interests of Solly and Maurice Jacquesson.

Now Sterns is part of the Retail Jewellery Group, which includes the up-market Tanur chain, Galaxie (Tvl) and Goodgold, which sells jewellery door-to-door.

Sterns' losses were still high in the first six month to March 1990, but the chain broke even last year.

"For a couple of months we traded profitably," says Mr Hartshone.

He says being part of the larger group has brought some benefits. For instance, Sterns has moved out of the extravagant Sterns Centre in New Doornfontein and shares a head office with sister companies in Commissioner Street, Johannesburg.

All the companies operate independently, but the executives lunch together every day.

Sterns is returning to the aggressive marketing which built its name.

"We were the first group to launch a two-year, no-deposit credit scheme," says Mr Hartshorne. "It has gone well, but we keep a tight control of the book."

Gold mining towns already feeling pinch

By Mark Suzman Star 22/4/91

The current crisis in the gold mining industry is having a severe effect on many businesses and jobs in towns that have grown dependent on the industry.

And according to Roger Lacey, senior economist at the South African Chamber of Business, the overall effect of the moves could lead to reduced growth even outside the mining sector, with severe social and political consequences.

After the decision to close Gengold's Stilfontein mine two weeks ago, many of the town's shops and small businesses admit that they have been deeply hit: no mine means no purchases of food and supplies, and no spending of miners' wages in the community.

But while Stilfontein is the most graphic example, many other mining towns are also feeling the pinch.

Local businessmen involved in traditional supply and support operations with the mines are being forced to cut back heavily, helping to push unemployment up and consumer spending down.

In Welkom, which has just been hit with the news that Anglo American intends retrenching a further 12 500 workers on Free State Consolidated mine, the situation is also bad.

Optimistic

According to Aubrey Nyschens, executive director of the OFS Goldfields Chamber of Commerce and Industry, some businesses have already been forced to rationalise or close down as a result of the current climate.

"In the short term there will definitely be an adverse effect on the economic activity of the town," he notes, although he is optimistic that business will ultimately pick up again.

Similarly in Carletonville, the local chamber of commerce notes that the mining crisis has already led to some non-mining retrenchments.

"The small businessman is suffering a lot and there is a general feeling of insecurity," observes Annetjie Claasen, president of the chamber.

In Klerksdorp, whose chamber includes Stilfontein, the situation is even grimmer. Local businessmen have begun to look for ways of expanding out of dependence on the gold industry by increasing development in areas such as agriculture and industry.

"The ultimate objective is for the town to wean itself from the mines," says Colin Hyman, president of the West Vaal Chamber of Business.

Nevertheless, in an area where at least 80 percent of all business is mine-related, and mines contribute 62 percent to the region's gross domestic product, Mr Hyman admits this is a difficult task.

CMH feels the squeeze as vehicle sales tail off

BI Day 22/4/91. (VSW) (30)

MARC HASENFUSS

FALLING new and used vehicle sales prevented Durban-based motor group Combined Motor Holdings (CMH) from benefiting from a substantial reduction in interest paid in its past financial year.

CMH is a holding company for subsidiaries which serve the major segments of the retail motor market, namely new motor vehicles, used vehicles, parts, workshop facilities and finance and related insurance.

In the year to end-February earnings dropped about 20% to R4,2m (R5,3m) or 22c (28c) a share.

However, the total dividend was maintained at last year's level. A final dividend of 7c was paid, bringing the total payout to 10,7c, covered 2 times (2,8).

The interest bill was cut to R2,5m (R3,4m), while taxation came down to R4,1m (R5,3m).

The extent of the contraction of the vehicle market is evident in last year's vehicle sales.

According to figures compiled by the National Association of Automobile Manufacturers of SA, vehicle sales dropped 5% to 209 603 units in 1990 compared with 221 342 units recorded in 1989.

CMH's turnover remained virtually static at R367m (R370m), but tightly squeezed margins reduced operating income a hefty 22% to R11m (R14m).

In last year's annual report, CMH chairman Maldwyn Zimmerman forecast an earnings growth in excess of the inflation rate.

CMH's earnings were knocked down 15% to R5,3m (R6,3m) in this financial period by a threefold increase in interest paid.

Zimmerman remained confident, expecting group turnover to approach R500m in the year ahead, and CMH to return to an earnings level in line with that achieved during 1989 and 1990.

This would be achieved by the full year's contribution from recent acquisitions, the expected commissioning during the third quarter of a large new truck outlet in Westmead, Pinetown, and the possibility of further acquisitions, he said.

CMH shares remained untraded at 90c on Friday, hovering just above its February low of 85c. The share peaked at 160c in May last year.

Cashbuild share price on a high

By Ann Crotty Star 24/4/91. (30) (ee)

Although it is one of the smaller contributors to group profit, Cashbuild has long been one of the strongest performers in the Tradegro stable. For the six months to end-December, Cashbuild reported a 23 percent hike in earnings.

On the back of that performance and possibly in the hope of benefits to be derive' from the unbundling of Tradegro, the share has surged to a record high of 420c. This is well ahead of its net asset value which at end-June 1990 was 127c a share.

What is probably much more important to the share's long-term rating is the continuation of the company's excellent industrial relations environment. This will ensure that the benefits of whatever strength there is in the market place will not be whittled away through low productivity, shrinkage and strikes.

Latest indications from Cashbuild are that its pioneering in dustrial relations efforts are continuing to bear fruit.

Its recent annual salary negotiations were concluded in less than three hours. The lowest salary scale employees received increases of 23,8 percent and the highest salary scale employees received 14,5 percent increases.

According to divisional human resources manager Mr Andrew Marambos: "More time was spent discussing fringe benefit issues such as housing loans, pension fund, medical aid and share ownership schemes than actual wages."

According to Mr Marambos, incentives continued to play a major role in staff remuneration packages.

"During financial '90 the average Cashbuild employee earned an additional 4,8 months' wages in overtime and bonuses while staff at our best store earned an additional nine months' wages."

He adds that productivity improvement is a fundamental issue in the bonus assessment.

JCCI outgoing president Jonny Frankel, left, addresses the organisation's AGM at the Wanderers Club in Johannesburg yesterday. Delegates to the meeting included, from top: Rudi Frankel, formerly of Tiger Oats; Barlow Rand executive chairman Warren Clewlow and Transvaal MEC for health services Fanie Ferreira. Mike Cato was appointed the new JCCI president. Pictures: ROBERT BOTHA

PWV deserves a better deal

SHARON WOOD (30)

JOHANNESBURG and the PWV region — backbone of the SA economy — should not be excluded from regional industrial incentive programmes as they had been in the past, outgoing Johannesburg Chamber of Commerce and Industries (JCCI) president Jonny Frankel said yesterday. B/Day 24/4/91

A new industrial incentive package was currently being negotiated and the PWV again would not qualify for any incentives for further investment development, Frankel said at the JCCI annual general meeting in Johannesburg yesterday.

But Johannesburg deserved to benefit even more from the implementation of those policies because of its strategic importance and indispensable position as SA's key generator of economic growth and jobs.

A new policy approach was needed.

Frankel said rural regional development should not be ignored but regional development should be for the welfare of the people and concentrations of people, and not for the welfare of places.

ZILLA EFRAT reports that Regional Development Minister Amie Venter said the national regional development programme, now being compiled, would be released in the next few months.

Continued success for Specialty

B Day 25/4/91.

30

MARCIA KLEIN

SPECIALTY Stores, which controls Milady's, The Hub and off-price groups Mr Price and Footgear, has continued its trend of consistent growth in earnings over the last five years.

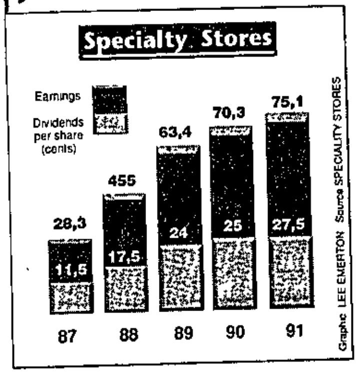
In the year to end-February the Durban-based retail group increased its attributable income by 19% to R12,4m (R10,4m).

Joint MDs Stewart Cohen and Laurie Chiappini said yesterday that "the group's strategic shift out of departmental stores into specialty retail, targeting the fast growing multiracial income market, has proved to be the key to the group's success".

"It has helped us avoid the depths of the recession that has punished those retail groups aiming at the top end of the market." Turnover for the year increased by 33% to R245,9m (R185,4m), and operating income was 24% up at R27,7m (R22,4m). Operating margins were 11,3%, and the group was "confidently looking at growth in excess of 15%" for predominantly credit divisions Milday's and The Hub. Cohen said the group would be exploiting the profit potential of the credit operations in the future.

Continued high interest rates and higher borrowings to fund the group's debtors base resulted in the interest bill rising to R5,3m (R2,7m). However, Cohen said that borrowings last year were lower than they would be traditionally as the group had the use of the proceeds from its R16m rights issue.

"Although the interest bill was greater than a year ago in absolute terms, it is comfortably covered 5,2 times." Gearing rose to 44% from 36%. While pre-tax income rose by 14% to R22,4m (R19,7m), a lower tax rate arising from the group's export activities saw earnings rise by 19% to 75,1c (63,2c) a share based on the number of shares in issue. On a weighted average basis, earnings increased by 7% to 75,1c (70,3c) a share.



A final dividend of 18c (16,5c) was declared, bringing the full year dividend up by 10% to 27,5c (25c) a share. Return on investment fell from 31,7% to 29,9%.

Despite a tough year, the MDs were pleased with the bottom line improvement. They said that over the last five years Specialty had shown a 25% compound growth in sales and a 41% compound growth in attributable income. "From a shareholders' point of view, notwithstanding the rights issue in 1990, the compound five year growth in earnings a share has been 28,6% and dividends 25%".

Cohen said the group's performance had been inhibited by a planned strategy to cut back on credit arising from the lengthening of payment terms.

Speciality's largest division Milady's increased its profits by 14% on a 27% increase in sales.

The Hub, a seven store chain in Natal contributing 40% to Specialty's sales, had an excellent year. The group's off-price specialty cash stores Mr Price and Footgear, which were "low rental no frills and no credit shops", increased their contribution to group profits "and helped better balance Specialty's credit/cash business".

Mr Price, which has 19 stores, improved its performance significantly. A further 12 stores will open this year and 50 are expected within the 1994 financial year. About five new Footgear stores will be opened this year.

Credit crunch puts lid on Specialty's growth

(30)

Star 25/4/91.

By Jabulani Sikhakhane

Retail group Specialty Stores has reported a 19 percent advance in earnings to 75,1c (63,2c) for the year ended-February, but on a weighted average the increase is only 7 percent.

A dividend of 18c is being paid, making a total of 27,5c (25c).

Group sales rose 33 percent to R245,893 million from R185,425 million. Of this increase in sales, old stores accounted for 21,8 percent with new stores chipping in the difference. Joint managing director Stuart Cohen reckons that the group also gained market share.

But growth at the operating income level slowed to 24 percent to R27,722 million (R22,416 million) which is reflected in lower operating margins of 11 percent (12 percent).

Mr Cohen attributes the lower margins to the curtailment of credit during the second half, which had a negative impact on group sales. Up to November sales were rising at a cummulative 30 percent, but in December grew only 10 percent.

The group experienced higher incidences of bad debts in the first half of the year, most of it accounted for by Milady's.

The actual bad debt write-off was four percent of credit turnover. Mr Cohen says this is double the normal figure.

Specialty's debtors book rose R10 million to over R80 million. To fund the increase, borrowings rose 36 percent to R30,217 million and with higher interest rates, the interest bill almost doubled to R5,3 million.

However Mr Cohen points out that the interest bill is comfortably covered 5,2 times. While the interest charge is high compared with financial 1990, it must be noted that in the last financial year Specialty benefited from the proceeds of a rights issue.

The effective tax rate was reduced to 44,6 percent (47,1 percent), due to export incentives. Tax and associated charges were up only 8 percent to R10,003 million from R9,290 million. Attributable income rose 19 percent to R12,409 million (R10,440 million).

Looking at a divisional review, tightened credit reduced Milady's performance with profits up 14 percent on a turnover increase of 27 percent to R121 million.

During the year, Milady's opened a 3 000 square metre flagship store in Durban, which should chip in about 10 percent or R15 million of the division's forecast sales (R150 million) for financial 1992.

The Hub, which contributes 40 percent of group sales, achieved a 26 percent growth in sales to R97 million. Sales are forecast to reach R125 million in the current year.

Mushrooming Pepkor weathers the downturn

BDay 26/4/91. 30

MARCIA KLEIN

RETAIL giant Pepkor's results for the year to end-February show that low-income retailing has weathered the storm of the economic downturn.

Pepkor, parent of Pep — including Pep Stores, Ackermans and Shoprite — has increased its attributable earnings by 17% to R79,4m (R67,8m) in financial 1991, with sales rising by 32% to R1,96bn (R1,48bn).

Pepkor, which recently acquired Smart Centre from Tradegro, Metro's Frasers nine stores and Hicor's Harties stores, increased its operating profit by 25% to R168,1m (R134,7m). Pre-tax profit was 28% higher at R153,4m (R120,1m) after finance charges increased marginally to R14,7m (R14.6m).

● WIESE

However, attributable profit was affected by a 51% increase in tax to R64,4m (R42,7m). A final dividend of 150c (131c) a share brought the full year dividend up by 15% to 212c (185c) a share covered 3,2 times.

Interest-bearing debt rose by 433% to R69,9m (R13,1m) due to a substantial increase in Pepkor's interest in Pep and the acquisition of Grand Supermarkets. The group had cash resources of about R200m.

Chairman Christo Wiese said yesterday growth "stemmed from an outstanding performance by Pep Limited's divisions — Pep Stores, Ackermans and the nine manufacturing units."

However, Shoprite failed to achieve growth in operating profit — which declined by 3% to R12,6m (R13,0m) despite a 55% increase in turnover to R732,1m (R471,4m).

Earnings were affected by "continuing high stock losses, lower than expected results from the recently acquired Grand Supermarket chain and some non-recurring costs associated with it", Shoprite MD Whitey Basson said.

Shoprite's earnings declined marginally to 27,2c (27,5c) a share. The dividend for the year was 13% up at 13,5c (12c) a share covered two times (2,3 times).

Pepkor's major operating company Pep, which contributes 90% of the group's operating profits, increased its earnings at the bottom line by 11% to R88,5m (R79,4m).

Despite a decreased interest bill of R4,1m (R4,4m), a 60% increase in tax to R60,4m (R37,7m) affected Pep's 24% rise in turnover to R1,2bn (R988,0m) and 26% increase in operating profit to R151,1m (R120,2m). A final dividend of 48c (42c) was declared, bringing the full year dividend up by 15% to 78c (68c).

Pepkor's R31m acquisition of Tradegro's 47% interest in Smart Centre saw Pepkor enter a new rapidly growing market. Pepkor, which has increased its shareholding to 55,1% after an offer to minorities, would make a significant input to help it grow at a rapid rate, Pepkor MD Arnold Louw said.

In terms of financial 1992, the conversion of debentures and preference shares would affect earnings, but growth in profits and earnings a share was expected.

Pepgro, which derives its income from dividends on its 57,5% interest in Pepkor, announced an 18% increase in attributable earnings to 372,3c (315,3c) a share and declared a final dividend of 86,5c a share.

Pepkor's cash pile expected to grow

Star 26/4/91

(30)

By Ann Crotty

Despite a disappointing performance from Shoprite and a hike in the group tax rate, Pepkor managed to turn in a sterling 17 percent hike in earnings to 678,6c (579,8c) a share in the 12 months to February.

The dividend for the full year is 212c (185c) a share.

Management

For the current financial year management is "striving to achieve its objective of providing shareholders with real profit and dividend growth".

At end-February the group had cash of around R200 million. Strong cash flow seems certain to see this figure rise by the end of the current financial year, despite recent acquisitions.

The share price has moved up strongly in recent trading. At its current R75 it is on an historic P/E rating of nine times.

The prospects of real profit and dividend growth, combined with a cash-flush balance sheet, suggests there is further scope for price advance.

Pepkor's performance was boosted by strong showings from Pep Limited. Group turnover was R1,957 billion (R1,481 billion) and operating profit rose 25 percent to R168 million (R134,7 million).

The slight reduction in margins — down from nine percent to 8,6 percent — reflects the impact of the weakness at Shoprite.

Finance charges were virtually unchanged at R14,7 million (R14,6 million).

Increase

A pre-tax profit increase of 28 percent was held to a post-tax increase of 15 percent.

The tax rate rose to 42 percent from 35,6 percent because tax losses were used up.

Earnings before extraordinary items were up 17 percent to R79,3 million (R67,8 million).

Star 26/4/91 (30)

Randfontein faces boycott

Randfontein is the latest West Rand town to fall victim to a consumer boycott launched in Krugersdorp last week.

Residents of Mohlakeng and Toekomsrus yesterday resolved to boycott businesses in Randfontein from tomorrow.

The Star was told that both boycotts were sparked by the two Conservative town councils' refusal to give permission for marches on March 6 to demand the release of political prisoners, democratically elected local government, upgrading of services and provision of land for the homeless.

SMALL BUSINESS FM 26/4/91.

SQUARING UP FOR BATTLE

When government instructed the Industrial Development Corp (IDC) earlier this year to "concentrate on assisting medium-sized and smaller enterprise," the message was loud and clear for the Small Business Development Corp — a turf war was about to begin.

Even though the announcement stressed that the IDC would limit itself to projects that "fall between the large groups and those served by the SBDC," the SBDC had no doubt that its territory would soon be encroached upon.

At the time, SBDC MD Ben Vosloo admitted there could be some overlapping between the two bodies (*Business* February 15), but SBDC officials are saying little about the situation now. Make no mistake, however, the battle lines are being drawn.

IDC GM, industrial finance, Jan de Bruyn denies that any overlapping will occur. But he confirms that the IDC — whose traditional role is to fund large-scale industrial projects — will consider any applications received from small industrialists, without necessarily referring them to the SBDC.

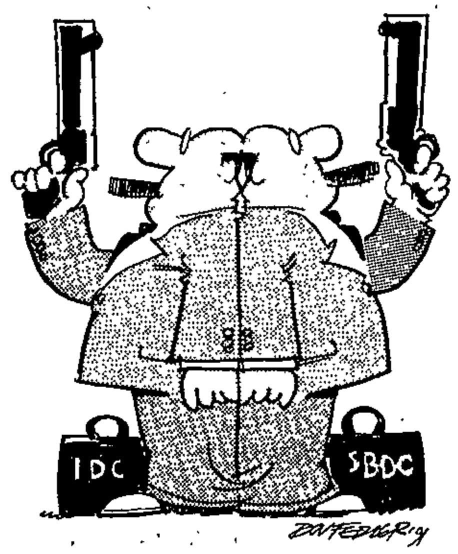
Forming the background to the conflict is SA's worsening unemployment problem and low economic growth, as well as the impact that crime, unrest and political pressures are having on foreign investor confidence.

The SBDC is regarded as being the most successful government organisation at creating jobs at the lowest cost. But the SBDC says it's starved of funds, while the IDC sits with billions in unrealised assets. In the March Budget, the SBDC received a R75m handout from government, far less than it believes it needs. The Development Bank of Southern Africa on the other hand, which mainly funds rural infrastructure projects, will receive R1bn over the next two years from the sale of IDC assets.

Understandably, the SBDC feels that it is being sidelined. This could be because it has less clout and a lower political profile, the result of its less spectacular development work.

The announcement in February sharply outlined the threat to the SBDC. In a statement, the late Minister of Economic Coordination Wim de Villiers and then-outgoing Trade & Industry Minister Kent Durr told the IDC to "expand its role as a financier of industrial enterprises and to mobilise its full financial resources to this end." They added that "this development task will require an increasing commitment by the IDC because this category of enterprise (medium-sized and smaller) can make a significant contribution to generating employment."

But the IDC seems unprepared for this larger role. It mainly consists of a head office staff that focuses on large investment projects and funding. The SBDC, on the other hand, has developed a countrywide network to serve its thousands of clients and has hands-on experience in providing follow-up and training services.



De Villiers and Durr estimated that the IDC "should be able to mobilise R10bn over the next six years for investment in industry," and that this could lead to "a total investment of R30bn in the industrial sector."

But giving the IDC carte blanche to expand into assisting smaller enterprises (utilising its massive funding) could push the SBDC out of its most profitable area. The SBDC's viability depends on its funding of formal business enterprises, which allows it to finance the high-risk informal sector.

The SBDC fears that by allowing the IDC to move on to its terrain, it could be left with only the unprofitable informal sector. So the SBDC argues that it, too, should receive a huge funding boost from the IDC.

But, says the IDC's De Bruyn, it is not for the IDC to determine whether it should fund the SBDC — that is government's decision.

With the focus on the IDC and the R1bn grant to the Development Bank, it appears that what is at stake is a choice between targeting development financing on maximising job creation and economic growth at the grassroots level, or on huge industrial and infrastructure projects.

The first option — the SBDC's speciality — is less sexy, but appears to create more jobs less expensively. The second option absorbs mammoth capital resources but may render a meagre crop of new jobs.

For example, over the last 10 years, the SBDC lent R1bn and says it created about 280 000 jobs at a cost to the corporation of R3 600 per job. By contrast, the IDC, in its 1990 financial year alone, approved a record amount of R660m for industrial financing, creating only around 9 400 jobs at a cost of R70 000 per job. ■

FM 26/4/91

AIR TICKET DISCOUNTING

STILL GROUNDED

When Nedtravel and Travelink joined forces this year to launch SA's first discount international air ticket agency — Just the Ticket — they invited the travel industry to a kick-off lunch to celebrate what they hoped would be the advent of a new era.

Nedtravel MD Gordon Young and Just the Ticket MD Bob Williams asked the airlines to sell them spare capacity at cost. They could then sell tickets to the public at a large discount. The timing seemed perfect. Faced with an unprecedented slump in air travel due to the Gulf War, it seemed the airlines could only benefit from giving travel-starved South Africans cheaper tickets through the services of a consolidator such as Just the Ticket. But the hosts were in for a shock. The airlines asked Just the Ticket personnel to leave the room; they then debated the proposal behind closed doors and rejected it.

Nevertheless, Just the Ticket went ahead, offering the public discounts on overseas fares to about 40 destinations (*Business* March 1). SA Airways and British Airways announced their own discounts and the travel agents feared that the price-cutting could put them out of business.

Two months later, however, Just the Ticket has still not been able to convince the airlines to turn over their unsold tickets at bulk discount rates. Williams has sold his shares and will leave the fledgling operation at the end of the month to run two other travel businesses. But he denies that Just the Ticket is in trouble. "Just the Ticket has exceeded expectations. We have met our budget for the past six weeks and the amount of phone calls we receive — some 750 a day — indicates that there is a big market for discount tickets."

New MD Kevin Rawnsley says the intention is still to establish a consolidation service for airlines to dispose of excess tickets. "At present, we operate on narrow profit margins. We pass on some of our 9% commission from the airlines to the customer, and we have special (consolidation) deals with a few airlines. But the true potential of a discount operation depends on the co-operation of a broad spectrum of airlines that allow us to sell at discount rates."

Just the Ticket is known to be buying in bulk from at least two of the smaller airlines, Alitalia and TAP, but the larger airlines —

New warehouse lifts Tafelberg earnings

30

MARCIA KLEIN

CAPE-based furniture retailer Tafelberg has reversed its downward trend in financial 1990 by showing a 7,4% growth in earnings for the year to end-February.

Chairman Eugene Theron said yesterday that Tafelberg was reaping the benefits of its new warehouse, reflected in a 33,3% rise in turnover to R41,5m (R31,2m).

Operating profit grew by 8,4% to R2,2m (R2,1m) as a result of amortising the cost of increased sales areas, Theron said.

A 41% increase in interest to R491 000 (R348 000) saw pre-tax profit increase by 1,8% to R1,8m (R1,7m).

A lower tax rate resulted in attributable profit being 7,4% up at R932 000 (R868 000).

Earnings increased similarly to 7,53c (7,01c) a share and the dividend was maintained at 3,5c a share.

Theron said Tafelberg, with its bigger warehousing and floor areas, was ready for any upswing in economic activity.

However, he was not expecting an upswing in this financial year, and felt earnings in financial 1992 would "at least be in line with those of financial 1991".

Tafelberg recently terminated negotiations which had been taking place since January. Theron would not comment yesterday on the negotiations.

Bday 26/4/91

Retailers' credit insurance policies to be scrutinised

(30)

B Day 26/4/91

SEAN VAN ZYL

DURABLE and semi-durable retailers selling credit insurance policies outside the legal provisions of the Insurance Act have come under the watchful eye of Registrar of Insurance Piet Badenhorst.

Sources said the authorities were getting ready to stamp out the practice.

Badenhorst recently issued a circular to short-term insurance companies expressing his concern over certain malpractices in the collection of credit insurance premiums.

Credit or hire purchase insurance premiums collected by many retailers as agents on behalf of insurance companies have apparently exceeded the limits laid out in legislation.

Also, a number had been receiving commissions beyond the limits.

Badenhorst said that the Financial Institutions Office (FIO) had already raised the issue with the various short-term insurance companies involved. The matter would be taken even further at the end of this month when Badenhorst met the Furniture Traders' Association.

"If retail concerns are going to continue operating these schemes, and acting as agents, they will have to comply with the terms of the Insurance Act."

Exclude

The FIO circular listed a number of the malpractices which have been brought to its attention, including: the writing of contracts by retailers, not officially recognised as insurance policies, in the name of registered insurance companies; premiums determined without proper bearing on the risk; and high administration costs deducted as a percentage of the premium.

A number of these contracts also exclude the buyer of goods, that is the policy holder, from any benefits of a claim in the event of a loss, but not the seller.

While insurance companies and the major retail chains have heard of such incidences, they all maintained that their insurance dealings were completely in compliance with the Insurance Act.

Retail furniture and appliances group Ellerine's chairman Eric Ellerine said that credit insurance was purely optional for purchasers applying for credit. He added that his company acted purely as an agent and that the full premium, minus commission and expenses, were passed on to the underwriting insurance company.

However, he was not prepared to disclose the amount of commission or administrative deductions.

SOWETAN BUSINESS

'Hive' system pays off for operators

Sowetan 26/4/91 (30)

MANY promising small black businesses fall by the wayside because they cannot afford to move from the home or the backyard to commercial offices or industrial space.

By JOSHUA RABOROKO

The prospect of paying for fittings and equipment, long leases and of having staff there to handle inquiries while the entrepreneur visits customers, often proves too daunting for the budding small business sector.

These problems came to the attention of many sympathisers of the small businessmen when the high level of unemployment and the crippling economic circumstances in the South African black community took their toll.

An urgent need arose to speed up the advancement of small manufacturers and an innovative and creative solution was required. The one that was arrived at was the one started by the Small Business Development Corporation, through its "hive of industry."

One of the members of the Ikageng Womens' Club, Mrs Maria Letsoalo, at her unit.

Concept

The hive concept has been duplicated throughout the country and is seen as one of SBDC's most successful industrial initiatives.

To date there are 25 such hives throughout the country.

One such hive is the one that the SBDC has temporarily structured in the Central Business district of Johannesburg to the tune of about R10-million.

It is expected to house more than 250 small entrepreneurs from the Witwatersrand.

The *Sowetan Business* visited the new "hive" and found 80 small entrepreneurs who manufacture and do an assortment of jobs, including welding, fashion designing; car repairs and rebuilding old cars; clothing; electronics; upholstery; florists; cupboards and kitchen units.

This unique hive, unlike others, will have a shopping mall where the small business will display, as well as sell, their products and make contact with customers.

The "hive" concept works not only because small manufacturers can rent their premises at low rentals, but also because they share communal facilities such as welding machines, mechanised saws and other carpentry equipment at relatively low cost.

"The beauty of the concept is that we can recycle disused factory buildings, old showrooms, railway sheds, and even old jail buildings and fit a large numbers of small contractors into individual "hives" at a very reasonable cost," according to the manager of financing and support services, Mr Terry Mclaughlin.

One such example is that of the six members of Mmasakhane Women's Club who started their businesses in the townships.

As a result of the problems they encountered at their homes, they decided to rent a site jointly at the new city "hive".

ABOVE: Executive members of the National Taverners Association standing at the door of their newly-opened Mofolo offices in Soweto. They are Mr Oupa Motloung, Ray Mollison, Mr David Hlatshwayo and Mr Peggy Senne. Below: Mr Ray Mollison celebrates with some of the Taverner's logistical staff. PIC: MBUZENI ZULU

Randfontein next target of boycott

30

Sowetan 26/4/91.

RANDFONTEIN is the latest West Rand town to fall victim to a consumer boycott.

Residents of Mohlakeng and Toekomsrus townships yesterday resolved to boycott businesses in Randfontein from tomorrow.

The Randfontein boycott was delayed a week while township residents discussed tactics, according to Thami Luphoko, ANC PWV regional organiser and executive member of the ANC's Mohlakeng branch.

The Krugerdorp - started last week - and Randfontein boycotts were sparked by the two Conservative town councils' refusal to give permission for marches on March 6 this year to demand the release of political prisoners, democratically elected local government, upgrading of services and provision of land for the homeless, and the opening of amenities for all races.

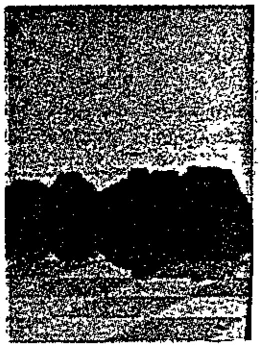
Letter

Chairman of the local branch of the ANC, Uhuru Moiloa, showed reporters a letter from the West Rand Chamber of Commerce inviting them to discuss the boycott and "explore the possibility of establishing a more permanent channel of communication" between the two parties.

Marshall Fourie, the Chamber's president-designate, confirmed he wrote the letter.

Moiloa said the Krugersdorp boycott was succesful, adding that traders and residents were not buying from white businesses.

Because of the discussions going on between the West Rand Chamber of Commerce and both the Krugersdorp Town Council and the ANC, Fourie said he could not comment on the boycott "at this stage". - *Sowetan Correspondent.*



Black boycott hurting traders

Star 29/4/91

(30)

By Abel Mushi

Krugersdorp traders have been hit hard by the black consumer boycott, according to those interviewed by The Star.

While some businessmen said the effect was minimal, most said their turnover had been slashed by up to half.

"It's a very bad set-up, and nobody can truly say they haven't been affected," said an Indian trader who owns a shoe store.

Loss

"Blacks are not buying. The few who do buy put their new shoes on before they leave."

The manager of a liquor store said: "We have experienced a 40 percent loss in turnover."

The owner of a cafe in Kruger Street said: "This is a small business and the boycott has affected us just a little."

An employee at a confectionery store said sales had dropped by 25 percent.

"Although fewer blacks are actually coming to buy, a lot send others to buy for them," she said, adding that the goods were concealed on the way home to avoid harassment.

The manager of a Spar supermarket in the town said only a few blacks were buying.

"Our sales have gone down by about 40 percent."

The manager of the Fruit Bowl store in Kruger Street, ME Jonker, had a different story to tell.

Popularly known to her customers as "Ouma", Mrs Jonker told The Star: "It is obvious that, as a shopkeeper, I'd love to see more customers in the shop. But if it means being forced to eat a raw chicken as soon as they arrive in the townships, I advise them not to buy.

"I have lots of black customers and we get along so well you'd say they were my children.

"They tell me they can't afford exorbitant township prices, but because I know they are going to get killed if they take anything home, I tell them not to take chances until everything is normal."

March

The Star was told that the boycott was sparked by the Conservative Party town council's refusal to grant permission for a march on March 6 to demand the release of political prisoners, democratically elected local government, upgrading of services, provision of land for homeless, and opening of amenities.

Premier moves on Score and Metro

1838 (30) BDay 29/4/91

MARCIA KLEIN

FOOD giant Premier Group is to acquire Score Food Holdings in addition to Tradegro subsidiary Metro in deals estimated to have a value of about R300m.

The transactions will see the merging of the businesses of Metro and Score Food Holdings.

The Metro acquisition — estimated by analysts to be at 300c a share — will be followed by Metro undertaking a rights offer underwritten by Premier for more than R100m.

In an announcement today Premier, the Score Food group, the Tradegro group and Metro say that agreement in principle has been reached for Premier to acquire 70% of Tradegro's 36% shareholding in Metro. It will extend an offer to acquire 70% of each minority shareholder's holding.

This would leave Premier with an effective 50% to 60% holding in Metro.

Cash and carry group Metro's rights offer — estimated at over R100m — will be undertaken in order to reduce its debt. Metro's interest-bearing debt increased by 45% to R124,6m (R86m) in the 26 weeks to end-December, contributing to the group falling into the red. It reported an attributable loss of R342 000 (earnings of R15,5m) on a 23,5% increase in turnover to R2,14bn (R1,73bn).

Following the completion of the rights offer, the entire issued share capital in Score Foods — 15,1-million shares — will be exchanged for shares to be issued in Metro, thereby merging the businesses of Metro and Score. All transactions are subject to the conclusion of formal agreement.

Premier CE Peter Wrighton said yester-

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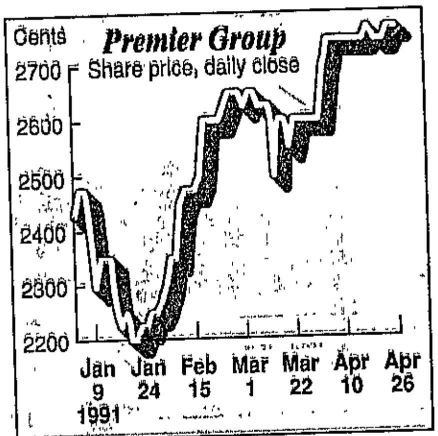

Graphic: FIONA KRISCH Source: JSE

Premier scoops Score, Metro in R300m deal

CAPT TIMES 29/4/91 30

Own Correspondent

JOHANNESBURG — Food giant Premier Group is to acquire Score Food Holdings in addition to Tradegro subsidiary Metro in deals estimated to have a value of about R300m.

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Premier CE Peter Wrighton said yesterday the reason for the acquisition was that Premier believed that effective distribution to smaller customers was important. Premier was "also expecting an increase in social spending which would benefit the Metro and Trador markets". Trador is the core cash and carry business of Score Foods.

The deal had been planned 10 years ago, when many major players were becoming involved in distribution, Wrighton said.

Premier already has an existing stake in Score Foods, whose core business Trador has about 34 stores.

Score Food's annual report for financial 1990 shows that Premier had an effective 20,27% holding in Score Food, a 23,79% holding in its holding company Score-Clicks, and a 25% holding in Score-Clicks's holding company Score Discount Food Holdings. Premier's holding has presumably increased since then.

Last year Pepkor subsidiary Shoprite acquired 27 Grand Supermarkets from Score for R49,4m, leaving the group with wholesale grocery chain Trador, as well as Score discount foods stores.

Score Food MD Carlos Dos Santos said yesterday that the deal would see Score Food taking control of the retail interests, including Metro's Fairways stores and Score discount food stores. Turnover for the retail interests would be about R750m to R800m.

He said that control of the retail and wholesale interests of Score Food and Metro would be held by Score-Clicks and the Premier Group.

Score's earnings tumble 47%

B/Day 30/4/91 (30)

MARCIA KLEIN

SCORE Food's results for the year to end-February, in which earnings fell by 47,6%, highlight the retail-listed group's need for fresh direction.

Score, which recorded earnings of 52,2c (99,6c) a share for the year, retails and wholesales groceries and other products. It has passed its final dividend (27c a share) payment, bringing its full year dividend to 13c a share, 67,5% down on the 40c a share declared in financial 1990.

The group announced yesterday the Premier group would acquire Score Foods and Tradegro subsidiary Metro. Their businesses would be merged via the exchange of the entire issued share capital of Score for shares to be issued in Metro.

MD Carlos Dos Santos will be MD of the merged Score and Metro businesses.

Dos Santos said yesterday the results were "a clear reflection of the country's socio-political climate, which kept the economy depressed and led to ongoing consumer boycotts, general unrest and rising levels of unemployment and crime". The high cost of funding operations also eroded earnings.

Score's turnover for the year decreased marginally to R1,35bn (R1,36bn). Although turnover on continuing operations increased by 13% to R1,2bn, operating income dropped by 31,8% to R22,5m (R33,1m). Dos Santos said shrinkage had increased by about 50% in the second half, "reaching proportions never previously

☐ To Page 2

Score

B/Day 30/4/91

(30) ☐ From Page 1

experienced by the group".

The interest bill doubled to R14,1m (R7,6m), due to higher borrowings. However, Dos Santos said debt had been reduced by R25m since the interim stage.

A tax gain of R44 000 (R10,1m paid) due to tax losses available for offset in a subsidiary resulted in profit after tax decreasing from R15,4m to R8,5m. Net attributable profit was down by 46,3% to R7,9m (R14,7m).

The loss on discontinued Score operations, the disposal of Grand Supermarkets, goodwill written off and other rationalisation costs resulted in an extraordinary item of R25,4m.

Dos Santos said Score's rationalisation programme, which included the disposal of loss-making retail chain Grand Supermarkets to Pepkor subsidiary Shoprite, and the closing of a number of Score stores, was virtually complete.

The benefits of focusing on the core business — cash and carry wholesale chain Trador — would be felt in the coming year.

He said the dividend would be restored and results would be improved despite the difficult trading climate.

In terms of the new deal with premier and Metro, Dos Santos said the entire group would be refinanced through Metro's rights offer, which has been estimated at more than R100m.

The retail side of the operation — Score discount food stores — had been totally cleaned out, he said.

Despite excellent results from Clicks Stores, which increased its earnings by 25% to 102,3c a share, Score-Clicks Holdings reported a 13% drop in earnings to 26c (29,8c) a share.

Score-Clicks increased its turnover by 6,6% to R1,9bn (R1,8bn). Turnover for continuing operations increased by 17,5% to R1,8bn following the closure of some Score stores and the disposal of Grand Supermarkets last year.

A final dividend of 5,5c a share was declared, giving a total of 9,5c (12,2c) a share for the year.

Ultimate holding company Hi-Score declared a final dividend of 10,3c (15,2c) a share, bringing the full year dividend to 17,3c (22,2c) a share. Attributable profit was down by 12,8% to R9,8m (R11,3m).

Score's earnings plummet

Cape Times 30/4/91

Results highlight need for fresh direction

Own Correspondent

JOHANNESBURG. — SCORE Food's results for the year to end-February, in which earnings fell by 47,6%, highlight the retail-listed group's need for fresh direction.

Score, which recorded earnings of 52,2c (99,6c) a share for the year, retails and wholesales groceries and other products. It has passed its final dividend (27c a share) payment, bringing its full year dividend to 13c a share, 67,5% down on the 40c a share declared in financial 1990.

The group announced yesterday that Premier group would acquire Score Foods and Tradegro subsidiary Metro. Their businesses will be merged via the exhcnage of the entire issued share capital of Score for shares to be issued in Metro.

MD Carlos Dos Santos will be MD of the merged Score and Metro businesses.

Dos Santos said yesterday that the results reflected the current socio-political climate and soaring shrinkage in the second half.

Results were "a clear reflection of the country's socio-political climate, which kept the economy depressed and led to ongoing consumer boycotts, general unrest, rising levels of unemployment and crime". The high cost of funding operations also eroded earnings.

Score's turnover for the year decreased marginally to R1,35bn (R1,36bn). Although turnover on continuing operations increased by 13% to R1,2bn, operating income dropped by 31,8% to R22,5m (R33,1m). Dos Santos said that shrinkage had increased by about 50% in the second half, "reaching proportions never previously experienced by the group".

The interest bill doubled to R14,1m (R7,6m), due to higher borrowings. However, Dos Santos said debt had been reduced by R25m since the interim stage.

A tax gain of R44 000 (R10,1m paid) due to tax losses available for offset in a subsidiary resulted in profit after tax decreasing from R15,4m to R8,5m. Net attributable profit was down by 46,3% to R7,9m (R14,7m).

The loss on discontinued Score operations, the disposal of Grand Supermarkets, goodwill written off and other rationalisation costs resulted in an extraordinary item of R25,4m.

Dos Santos said Score's rationalisation programme, which included the disposal of loss-making retail chain Grand Supermarkets to Pepkor subsidiary Shoprite and the closing of a number of Score stores, was virtually complete. The benefits of focusing on the core business — cash and carry wholesale chain Trador — would be felt in the coming year.

He said the dividend would be restored and results would be improved despite the trading climate remaining difficult.

In terms of the new deal with premier and Metro, Dos Santos said the entire group would be refinanced through Metro's rights offer, which has been estimated at over R100m.

The retail side of the operation — score discount food stores — had been totally cleaned out, he said, which "bodes well for the future".

Despite excellent results from Clicks Stores, which increased its earnings by 25% to 102,3c a share, Score—Clicks Holdings reported a 13% drop in earnings to 26c (29,8c) a share.

Score-Clicks increased its turnover by 6,6% to R1,9bn (R1,8bn). Turnover for continuing operations increased by 17,5% to R1,8bn following the closure of some Score stores and the disposal of Grand Supermarkets last year. A final dividend of 5,5c a share was declared, giving a total of 9,5c (12,2c) a share for the year.

Ultimate holding company Hi-Score declared a final dividend of 10,3c (15,2c) a share, bringing the full year dividend to 17,3c (22,2c) a share. Attributable profit was down by 12,8% to R9,8m (R11,3m).

COMMERCE — GENERAL

1991

MAY — JUNE

Price of bread still too high in many areas

Star 2/5/91

Consumer Reporter

Isolated incidents of bakeries charging up to R1,65 for brown bread and R2 for white bread have been found in the far northern Transvaal during a survey conducted by The Star.

When the industry was deregulated and price control scrapped in March, the Housewives' League had reservations about the effects on small towns with limited access to bakeries.

Vary

The Star's Northern Transvaal Bureau isolated cases where bakeries charged up to R1,65 for brown and R2 for white.

However, most supermarkets and cafes in the far north were charging a standard R1,20 for brown and R1,30 for white bread. Cafes with bakeries charge R1,30 for all brown, including wholewheat, and R1,40 for white.

Since price control was scrapped prices have varied. A survey in March found some cafes charging R1,50 for a white loaf but this has now settled down and a yardstick, said the League, was R1,10 for brown and R1,20 for white.

The Star's Vereeniging Bureau reports the price of bread in the town, Meyerton, Vanderbijlpark and Sasolburg averaged R1,20 for white and R1,07 for brown at supermarkets. Cafes in the town sold bread at R1,30 for white and R1,20 for brown.

Cafes and supermarkets in the Lowveld towns of Nelspruit, White River and Barberton sold white loaves at R1,25 and R,15 for brown.

However, the Lowveld Bureau found that over weekends, particularly on Sundays, certain cafes in the area raised their prices by five cents.

Most cafes in KaNgwane charged R1,40 for white and R1,30 for brown bread.

A spokesman for the Consumer Council said since the scrapping of price control it had appealed to shopkeepers to stay within bounds and charge reasonable prices.

"Our long-term view is that in the end, especially in larger centres, people will support those outlets which charge reasonable price," the spokesman said.

Tembisa begins business boycott

Star 2/5/91

East Rand Bureau

30

A consumer boycott will be launched against white businesses in Kempton Park today to protest against the power cut in Tembisa township by the Tembisa council last Friday.

Tembisa Resident's Association (TRA) president Albert Tleane said the cut was a declaration of war against the residents — who had a right to resist or defend themselves.

Mr Tleane said the people of Tembisa were now pressurising Kempton Park, whose municipality recently signed a pact with the Tembisa council.

He said the power cut came after the TRA had resumed talks with the provincial administration on the rent boycott

Bread scam exposed

(30)

Sowetan 3/5/91.

ISOLATED incidents of bakeries charging up to R1.65 for brown bread and R2 for white bread have been found in the far northern Transvaal.

When the industry was deregulated and price control scrapped in March, the Housewives' League had reservations about the effects on small towns with limited access to bakeries.

Our sister newspaper, *The Star*, has isolated cases in the northern Transvaal where bakeries charged up to R1.65 for brown and R2 for white bread.

However, most supermarkets and cafes in the far north were charging a standard R1.20 for brown and R1.30 for white bread.

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According to the survey, most cafes in KaNgwane charged R1.40 for white and R1.30 for brown bread.

A spokesman for the Consumer Council said since the scrapping of the price control it had appealed to shopkeepers to stay within bounds and charge reasonable prices.

"Our long-term view is that in the end, especially in larger centres, people will support those outlets which charge reasonable prices," the spokesman said. - *Sowetan Correspondent.*

WOMAN

Star Beat

ARIES: March 21 - April 21
The effect of the Luminaries on Uranus at the zenith of your astroscope should inspire you to take a bold gamble or make a surprise move in the business or career realm which could turn out to your great financial advantage.

TAURUS: April 21 - May 21
The sun in your sign, splendidly aspected to Uranus in your zone of expansion, ought to revitalize you immensely. Enhanced optimism will enable you to make the best of a rare opportunity provided by the moon/Uranus union.

GEMINI: May 21 - June 22
Self-preservation becomes especially important to you as the sun, currently relating to your subconscious, forms a fine angle with Uranus in your realm of providence. The lunar/Uranus occultation will heighten your intuition.

CANCER: June 22 - July 23
The personal influence of a friend and the support of your partner could add much to your general progress, while the sun/Uranus angle favours such relationships. The moon/Uranus aspect signifies the making of a super agreement.

LEO: July 23 - August 24
Between the sun's presence in your commercial quarter and its vital aspect with the lunar/Uranus conformation in your sector of work and wellbeing, you appear to have abundant fortune favouring your current aims and enterprises.

VIRGO: August 24 - September 23
An opportunistic frame of mind should stem from the siting of the sun/Uranus/moon link-up in your astroscope. Push ahead with that grand scheme, plan to get the utmost from romance and pleasure. A bit of speculation could succeed.

LIBRA: September 23 - October 23
The current cosmic connection between the Luminaries and Uranus favours actions aimed at putting family and property matters in good order. You can obtain excellent support for your causes and schemes from caring relatives.

SCORPIO: October 23 - November 23
Your intuition and mindpower should both peak due to the beneficent occultation between Uranus and the moon, which are in turn harmoniously aspected to the sun in a manner designed to enable you to forge very good agreements.

SAGITTARIUS: November 23 - December 22
The conjunction of Uranus and the moon centres on your financial zone; suggests that swift and smart manoeuvres could make or save money.

CAPRICORN: December 22 - January 21
Intuitive and sharp, also innovative and driven, due to the lunar/Uranus occultation in your sign, you will probably fare well in external enterprises. The siting of the sun signals success in romance, pleasure and speculation.

AQUARIUS: January 21 - February 20
Enlightenment should result from the lunar/Uranus link over the part of your astroscope that relates to your inner-self. With the sun well-placed in connection to your domestic region, family plans should work out quite nicely.

PISCES: February 20 - March 21
The sun focusing on your realm of reasoning and rapport should put you in a cheerful frame of mind, enable you to acquaint yourself with new people because it is favourably cast to the Uranus/moon union in your friendship zone.

If today is your birthday:
You will have to analyse your situation properly, weigh up your options before making your next important move. With sufficient savvy exercised now, you can undoubtedly set up fine opportunities to explore later in the year.

If tomorrow is your birthday:
This birthday to birthday round may well be one of the most important years in your entire life. You will get some wonderful opportunities to live your life on a bigger, broader and far more exciting plane. Travel is favoured.

Redgwoods Holdings boasts a R3,2m turnaround

B Day 3/5/91 (30)

MARCIA KLEIN

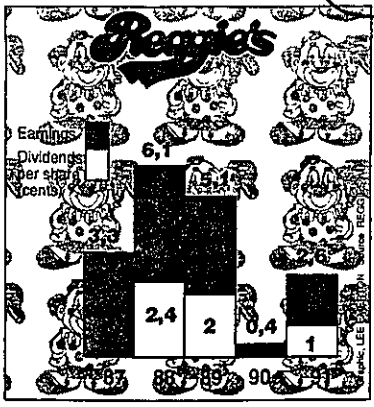
REDGWOODS Holdings (Reggies) has reaped the benefits of going back to its core business of toy retailing.

In the year to end-February, Reggies reported a net income of R1,6m compared with a loss of R1,6m in the previous year.

Turnover dropped marginally from R75m to R74,7m. Chairman Frank Robarts said yesterday that turnover figures were not comparable "as turnover and profits of the businesses disposed of have been eliminated from the effective dates of disposal".

In August Reggies sold its entire interest in its baby goods manufacturing and wholesale businesses for about R10m "due to the conflict of interest that arose in the vertical integration of the group".

Operating profit increased by 6,8% to R4,4m (R4,1m), and a large reduction in the interest bill to R1,6m



(R3,5m) saw pre-tax operating income up from R640 000 to R2,8m.

Robarts said that "improved asset management resulted in a substantial reduction in the finance costs as well as an improvement in gearing", which came down from 76% to 13%.

A hike in tax to R1,2m (R302 000) resulted in taxed income rising to R1,6m (R338 000). An attributable loss in an associated company of R74 000 (R76 000) saw income before an extraordinary item up from R262 000 to to R1,5m. The extraordinary item of R125 000 reflects the net effect on the sale of subsidiaries.

Earnings were up from 0,4c a share to 2,6c a share, and Reggies declared a dividend of 1c a share (no dividend was declared in Febraury 1990).

Robarts said that after the disposal of the factories last year, Reggies was "back to what it knows best", and it would concentrate on buying and selling for its 84 stores in the future.

He was pleased with the results, and said the turnaround since financial 1990 was achieved "by a great effort on the part of management". Reggies had also allowed for write-offs and bad stock, so it was poised for growth in financial 1991.

"With all the skeletons out of the closet, we hope to give as much joy to our shareholders as we do to children," he said.

FM 3/5/91 (30) FOX

PEPKOR UNDILUTED

Year to Feb 28	1989	1990	1991
Turnover (Rm)	1 193	1 481	1 957
Pre-tax profit (Rm)	99,1	120,1	153,4
Attributable (Rm) ..	58,1	67,8	79,3
Earnings (c)	496,8	579,8	678,6
Dividends (c)	158	185	212

PEPKOR GROUP FM 3/5/91

TWIN IMPOSTORS (30)

First Revenue and then Shoprite shipwrecked what was actually a good trading year for almost all Pepkor subsidiaries. In Pep Ltd (Peplim) a huge 60% hike in tax rate pulled EPS growth down to 11%; at Shoprite acquisition of Grand Supermarkets led to a marginal reduction in operating profits.

Peplim, the operating company that controls 798 Pep stores and 123 Ackermans outlets, pushed turnover above R1bn for the first time, to R1,2bn — 24% growth. A small but significant increase in margin moved operating profit growth to 26%; because the cost of finance was contained to R4m (R4,4m), pre-tax profits were 27% higher.

But 1990 saw the end of assessed losses, and the resultant 51% increase in the tax charge confined growth in EPS to just 11%.

During the year, Peplim opened 68 new stores (Pep 54, Ackermans three and associate companies 11). Of the original 27 Grand supermarkets, five have been closed. The balance increased the number of Shoprite outlets to 72. Shoprite turnover for the year rose by 55% to R732m as a result, but operating profits dipped 3% to R12,6m.

Shoprite MD Whitey Basson emphasises that while much of the expenses associated with the takeover were anticipated, unexpectedly large shrinkage and theft (in excess of 3%) were largely responsible for the profit drop. Basson adds that the Shoprite disciplines have been implemented in all stores and trading and profit are now in line with budget. March, he says, was a "very good" month; April looks good as well.

Pepkor increased its holding of Peplim to 94% from 89% at a cost of just over R40m. This indicates a price of under R18 a share — roughly R10 less than the current price. It was financed by the issue of new redeemable prefs created by a Pepkor subsidiary. These appear in the consolidated accounts as interest-bearing debt, which has risen to R69,9m from a trivial R13,1m. Despite this, finance charges remained much the same as the previous year.

The interesting aspect of this is that Pepkor still holds about R200m cash. Clearly the cost of borrowing is exceeded by the returns generated by investing the cash — the only justification for not using the cash in place of incurring debt.

Pepkor's total dividend of 212c a share triggers the compulsory conversion of the remaining convertible debentures and preference shares with effect from March 1. Issued ordinary shares will be expanded by 3,36m to 15,05m, diluting EPS to 558c rather than the 678,6c reported. The significance is that EPS will have to grow by at least 21,6% in the 1992 financial year simply to maintain the same level after the conversion.

This sounds a tall order in the current climate. However, Shoprite should be able to deliver, after writing off everything it could. And Peplim, especially after its creditable earnings generation last year, could achieve and even surpass the goal, with the help of yet more acquisitions.

Just before year-end Pepkor bought 47% of Smart Centre from Tradegro for R31m. This holding has been enlarged to 55,1%. Since year-end, Peplim bought 42 Fraser's mining stores from Metro Cash & Carry, which should contribute to its bottom line.

In addition, last week Peplim announced the takeover of the Harties chain of 200 stores from Hicor for R18,6m, payable over three years. Only R1,5m will be paid up front; the largest tranche will be paid at the end of the three years, in June 1994. Cash flows will therefore suffer little.

With all these acquisitions, a large rise in turnover can be expected, but whether this will extend to EPS is not certain. More often than not there is a cost to acquisitions over and above the purchase price — mostly the cost of rectifying the wrongs that led the seller to his action. *Gerald Hirshon*

FM 3/5/91 (30)

SPECIALTY

ROOM TO GROW

Many shares in the retail sector have been pushed to demanding ratings this year — on fundamentals there seems little growth potential in the share prices of blue chips such as Edgars, Wooltru and Foschini, which are trading on earnings multiples above 18.

Specialty Stores, and its pyramid Storeco, however, have not enjoyed the full benefit of the retail share boom; they are trading on p:es of 7,8 and 7,5 respectively. Yet results of the group have been more than satisfactory over five years, with a compound growth in earnings of 28,6% and in dividends of 25%, in line with the blue chips. Moreover, the group is still relatively small, with turnover of R246m, and is concentrated mainly in Natal, so a great deal of organic growth is possible. Specialty chains include Milady's, The Hub, Mr Price and Footgear. Its competitors, such as Foschini and Truworths, already have national coverage.

But there have been hiccups along the way. In the year to end-February 1991 the group's growth was curbed by anxiety about bad debts. More than 90% of profit come from credit chains Milady's and The Hub. The credit policy was tightened and this affected the crucial December trading period.

The group embarked on a R10m capex programme but management reckons that working capital was well controlled. The interest bill almost doubled because the borrowings in the previous year still showed the benefits of a 1989 rights issue. Interest cover remains sound at 5,2. Though operating income increased by 24%, on a 33% turnover advance, attributable income increased by just 19%.

Analysts say Specialty will need several more years of good results before it can be accorded blue-chip status. The share is difficult to trade, but there is considerable scope for growth, both in store sites and in the operating margin.

The trading margin of 11,3% is still some way behind the Edgars margin of 14,5% and Foschini's 20,7%. But Foschini and Edgars are already reaping the full benefits of their computer systems, and they have been able to fine-tune sales/m² in their older portfolio of stores.

Because of the uncertainties of credit trading, much of the growth in the next year will be in the Mr Price and Footgear cash outlets, and 17 new cash outlets will open this year. Credit management should be made easier this year.

Specialty is expanding its presence in the crucial PWV market. Joint MD Laurie Chiappini acknowledges that the Eloff Street Milady's is inadequate and more suburban sites are being considered. But he adds that much more groundwork needs to be done before The Hub, which trades in clothing, home textiles and housewares can open in the Transvaal.

Stephen Cranston

SUPERMARKETS FM 3/5/91

TAKING STOCK (30)

Two years ago Pick 'n Pay's Raymond Ackerman proposed an industry-wide supermarket institute. The high-profile organisation would represent chains in lobbying government on consumer issues such as the deregulation of petrol sales and liquor distribution. It would also focus on less public matters such as removing delivery bottlenecks so goods can be kept in stock.

The model was America's Food Marketing Institute, which has more than 100 full-time lobbyists and has proved very effective in winning gains for consumers and supermarket chains alike.

But Ackerman's idea was received coolly. What has finally emerged is the Food Merchants' Association, but it has no full-time staff and little money. In fact, most of its members have decided it should maintain a low profile.

Links in the food chain ... *more co-operation needed*

Spar's Brian Beavon sums up the members' narrow aspirations for the new association: "We have a chance to debate issues and to compare thoughts on issues such as distribution and shoplifting."

Bill Lacey, the association's secretary, says it is hampered by limited resources because retailers are averse to spending much money on it. "Retailers do not want to invest in academic exercises that do not give them immediate returns."

On the other hand, food suppliers have had their own Grocery Manufacturers' Association with a full-time director for more than 10 years, but until now it has been forced to deal with the chains individually. The only common forum was the Materials Handling Subcommittee of the Major Food Retailers' Technical Committee at the old Assocom. The subcommittee managed to produce design guidelines for supermarket unloading areas and to make progress towards standardising roll cages.

The merchants' association replaced the subcommittee, but it has proved difficult for the new group to establish a dialogue with its manufacturing counterpart. It met the manufacturing association and agreed to establish a liaison committee. But the issues suggested by the manufacturers for action by the committee have produced little enthusiasm in the retailers.

The retailers considered some of the issues solely the concern of individual chains and do not believe they could be negotiated collectively.

Says the manufacturers' Jeremy Hele: "I am very disappointed by the retailers' lukewarm attitude to talks. We are keen to look for solutions to all kinds of joint problems. The manufacturers are now financing many of the industry's inefficiencies. The chains may not be paying for this directly, but ultimately they do, through higher prices."

Hele suggests that attempts to improve food distribution efficiency must focus on scheduled deliveries and, in the end, on the best system of consolidated warehousing. In particular, Hele says, there must be a concerted effort to reduce damage to stock in the stores. Somewhat anomalously, the supplier is held responsible for this damage, even though it happens on the retailers' premises. Hele says this is like expecting a car dealer to replace a car that you have bought and crashed.

Merchants' Association chairman Sid Matus admits that retailers have an adversarial relationship with suppliers, which is bound to affect any efforts at co-operation. "But we think we can talk constructively together where our mutual interests are concerned."

Matus stresses that the association has other roles. In particular, it lobbied for the exemption of basic foodstuffs from value-added tax, against the policy of the SA Chamber of Business. It is also drawing up a code of conduct on the environment.

"The success of the association will depend on the seriousness with which it takes the tasks in hand," Ackerman says. "But so far not nearly enough resources have gone into it." ■

Consumer boycott total success, says ANC

Star 31/5/91

(30)

By Bronwyn Wilkinson

The consumer boycott in Randfontein has been 100 percent effective, claims ANC regional organiser Thami Luphoko.

"Our people are staying out of town and going to shops in Roodepoort and Westgate," he said.

A spokesman for Checkers admitted there had been a drop in customers, but it was too early to tell how this had affected turnover.

A spokesman for Mike van de Merwe, general manager of Pick 'n Pay, said that although their Randfontein store did not usually have much black trade, he estimated a 5 percent drop.

Small traders said they had hardly been affected.

Last Friday, residents of Mohlakeng and Toekomsrus joined the boycott. It is said to have been sparked by the Conservative town council's refusal to grant permission for marches on March 6.

Prodigals on their way back to the Premier fold

S|Times (Bus Times) 5/5/91.

(30)

By JULIE WALKER

PREMIER GROUP chief executive Peter Wrighton says there are no magic wands to restore pride and profit to the Metro group.

He believes the core businesses are strong enough to return to glory under the leadership of Carlos Dos Santos.

Agreement in principle has been reached among Premier, Tradegro and Score-Clicks. Subject to the conclusion of formal agreements, Premier will buy 70% of Tradegro's 47% holding in Metro and underwrite a rights offer to reduce its debt.

Salvage

To bring Mr Dos Santos back aboard the group he and his team ran so well a decade ago, the issued share capital of Score Foods will be exchanged for shares in Metro. The businesses will be merged.

Mr Dos Santos is managing director of Score Foods.

Tradegro will sell only 70% of its Metro holding. Possibly it hopes to salvage something by holding on to the balance as an investment managed by Premier. Premier will make a bid for 70% of minorities' Metro stakes.

Mr Wrighton and Premier deputy chief executive Gordon Utian this week recalled the historic associations of Premier, Tradegro, Score and Metro.

Metro was jointly controlled in the 1970s by Kirsh, Katz and Tiger Oats, among whom there was a pre-emptive rights agreement.

Kirsh circumvented the rights by buying out the Katz family interests through which they were held. Tiger cried foul, but lost a court battle in which the judge was Mervyn King. He later left the bench and joined Kirsh. He is still a director of Metro.

Thereafter, Kirsh approached Premier for financial help involving Metro, and was issued with R9-million in preference shares through Kimet.

Premier was granted rights to Metro which did not lapse with repayment.

As time passed, Sanlam group's Sankorp bailed Kirsh out of financial difficulties. The Kirsh name was changed to Tradegro.

Now that Sankorp has decided to unbundle much of its group, Premier was approached about its rights.

Mr Wrighton says: "It was entirely fortuitous. Perhaps management by institution has not been good for Metro."

More than 10 years ago, the then Metro chief Mr Dos Santos left, the group, reportedly after a disagreement with the two Ks. He took four managers with him and set up Score Foods. His backers were David Tabatznik and Premier.

"We were one of the original backers of Carlos Dos Santos," says Mr Wrighton. "We have built up our stake to an effective 36% of Score Food Holdings."

Backers

Score did well for many years, but Metro struggled through management and policy changes and ill-conceived acquisitions.

Then Score became involved in imprudent diversions, and its results suffered in the past two years. Both companies lost their blue-chip labels.

"Carlos is one of the best hands-on managers around," says Mr Wrighton. "The big mistake at Score was the foray into retailing through Grand Bazaars. It took management's eye off the ball."

Premier's motivation for the Metro-Score deal is to improve its distribution to smaller customers. Premier already has 50 warehouses throughout SA and Metro's 183 outlets plus Score's 37 allow for synergy.

"With the economic downturn there is no shortage of management. Metro's middle management is good. There is a shortage of good leadership. Carlos will be back doing what he does best."

Mr Utian says it is in the interests of manufacturers for SA to have well-managed wholesalers.

"This deal provides the key to unlocking the wealth in Metro. As the new South Africa develops and wealth is spread, businesses like Metro will benefit.

"Distribution is a separate business. In the end, brand names are what count."

He dismisses suggestions of a vertically integrated Premier Group.

"Only about five of our product groupings are sold through cash-and-carry outlets. It is an absurd notion that we manufacture, wholesale and retail our goods."

Cultures

Mr Wrighton says Metro will be refocused, merged with Score and recapitalised.

Details of the rights offer are not available because the deal has not been concluded. Metro's debt is well over R100-million.

Premier shares are at a high of 2 825c ahead of results due on Wednesday.

PETER WRIGHTON: Brand names count

Metro's are off their low at 300c and Score's are 500c.

Mr Utian expects the first set of results from the new grouping to be neutral. There will be many changes, disposals, merging of cultures and teething problems.

That is, if the deal goes ahead.

Mr Utian says: "We had to issue the warning and we did not do so lightly. We are going through everything. I can't say if we'll go ahead or walk away."

● Metro workers intended to strike at the weekend in protest against retrenchments.

Premier seeks Competition Board nod

MARCIA KLEIN

PREMIER Group has approached the Competition Board prior to agreement on its acquisition of Tradegro subsidiary Metro, and Score.

Competition Board chairman Pierre Brooks confirmed at the weekend that the board had been approached by Premier on an informal basis for clarity on restrictive competition.

The board's preliminary assessment, based on information at its disposal, had been that there would be no problems with the deal in terms of restrictive competition, he said.

"There are many other players with a substantial share of the market," he said. These included Wooltru company Makro and Shield Trading.

In areas where the businesses of Tradegro subsidiary Metro and Score's cash and carry operation Trador overlapped, the board had found that in each area a major competitior still remained.

In terms of the deal, Premier would become a dominant player in the wholesale industry.

B/Day 6/5/97

(30) ~~(232)~~

Restructured Hyperette to apply for main board listing

B/Day 6/5/91 (30)

LINDA ENSOR

CAPE TOWN — DCM-listed Hyperette Stores was proceeding with plans to apply for a main board listing this year, chairman Hein Ehlers said at the AGM on Friday.

Hyperette, acquired from Pepkor — a management buyout — and reverse-listed into Milly's Stores in 1989 is a food retail chain of 32 stores.

Ehlers told shareholders that while turnover was expected to rise by about 36% to R75m (R55m) in the year to end-July 1991, after-tax profit would not reach last year's level of R1,4m due to pressure on margins.

Publication of interim results to end-December had been delayed by technicalities and should be out in the next two weeks.

He said strategy in the difficult past year had been to increase expenditure on promotions and advertising. While this had contributed to the company maintaining market share in the western Cape, it had — together with shrinkage — placed margins under extreme pressure.

Ehlers said no dividends could be expected until Hyperette had established sufficient cash resources.

The company's tax-free status would continue for the next three to four years due to accumulated losses.

Ehlers said Hyperette had restructured itself into four operating divisions — Hyperette Stores, Hoctors Meat Centres, Hyperfresh Produce Market, Bread Basket (PWV) and Milly's (Cape).

He said the company had adopted a strategy to generate organic growth of present businesses and not to embark on the acquisition trail.

"Our existing businesses have substantial opportunities for growth."

No further capital would be invested — stores and expenses would be through franchising. Ehlers said Hyperette planned to have 10 franchise stores by the end of 1991.

SA Shareholders' Association chairman Issy Goldberg said Hyperette could become a significant company on the JSE's main board. He recommended however that the 136,4-million shares in issue be consolidated.

In the year to end-July 1990 Hyperette earned 0,4c a share compared with the previous year's loss of 84,27c.

EXECUTIVE SU[illegible]

rests (coal, specialist metals, plati-
m) add diversity and act as a hedge

ing of 12,11 times and a dividend yield of only 1,62%.

board."

Remgro refuses any comment.

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CAPE TOWN — DCM-listed Hyperette Stores was proceeding with plans to apply for a main board listing this year, chairman Hein Ehlers said at the AGM on Friday.

Hyperette, acquired from Pepkor — a management buyout — and reverse-listed into Milly's Stores in 1989 is a food retail chain of 32 stores.

Ehlers told shareholders that while turnover was expected to rise by about 36% to R75m (R55m) in the year to end-July 1991, after-tax profit would not reach last year's level of R1,4m due to pressure on margins.

Publication of interim results to end-December had been delayed by technicalities and should be out in the next two weeks.

He said strategy in the difficult past year had been to increase expenditure on promotions and advertising. While this had contributed to the company maintaining market share in the western Cape, it had — together with shrinkage — placed margins under extreme pressure.

Ehlers said no dividends could be expected until Hyperette had established sufficient cash resources.

The company's tax-free status would continue for the next three to four years due to accumulated losses.

Ehlers said Hyperette had restructured itself into four operating divisions — Hyperette Stores, Hoctors Meat Centres, Hyperfresh Produce Market, Bread Basket (PWV) and Milly's (Cape).

He said the company had adopted a strategy to generate organic growth of present businesses and not to embark on the acquisition trail.

"Our existing businesses have substantial opportunities for growth."

No further capital would be invested — stores and expenses would be through franchising. Ehlers said Hyperette planned to have 10 franchise stores by the end of 1991.

SA Shareholders' Association chairman Issy Goldberg said Hyperette could become a significant company on the JSE's main board. He recommended however that the 136,4-million shares in issue be consolidated.

In the year to end-July 1990 Hyperette earned 0,4c a share compared with the previous year's loss of 84,27c.

(30)
STAR 7/5/91

Open letter to the ANC

IT IS necessary to ask whether the ANC is a political party or a terrorist organisation.

In other words, does the ANC seek to take part in the political life of South Africa, playing the game by the democratic rules that characterise the civilised world, or does it have a secret agenda to usurp or seize power for itself by intimidation, trickery and force?

We, Businessmen for Growth and Stability, pose this question **on behalf of all South Africans, of all races**, on the grounds of impressions gained from a document recently released by the ANC entitled "Negotiations and the struggle for a democratic South Africa".

From this document it appears to us that the ANC is not interested in a political settlement, or in sharing power, but that it intends usurping **total political power** in South Africa – and seizing power if the plan to usurp it fails.

The ANC is demanding a constitutional assembly and interim government in a bid to **gain total political power before a constitution has been devised**. This is like asking the selectors to pick a team for a new type of ball game, and for that team to run out onto the field, **before it or its opponents know the rules of the game**.

The purpose of a constitution

The purpose of a civilised constitution is to place power in the hands of the citizens of the country, in such a way that that power can only be used for the benefit of the people **and cannot be misused or abused by those in the seat of government**. (Ask the people of Iraq how they feel about a leader with uncurbed power.)

Like the rules of a new ball game, a constitution must be worked out through discussion around a table by experts **imbued with the good of all the people**, meeting in a calm atmosphere and characterised by a spirit of goodwill and give-and-take. That is our view of how the Founding Fathers of the Nation should set to work.

How the ANC appears to see it

However, instead of co-operating with all other groups in South Africa to speed up the framing of a constitution which is fair to all, the ANC states in its document: "This is the year of mass action for the transfer of power to the people." It says further: "Umkhonto we Sizwe must remain in place if we need it".

As we interpret its idea of mass action, the ANC plans to force the constitutional issue through consumer boycotts, stay-away actions and strikes, co-ordinated and executed on the highest possible scale – accompanied by the intimidation of black workers and the ever-present threat of armed action by MK if things do not go entirely the way of the ANC.

Constitution-making under threat

And what is the way in which MK operates? Its actions in the past took the form of planting landmines, the setting of car bombs, the killing of innocent civilians including women and children, and sabotage – in other words, the typical actions of a terrorist group.

Delegates trying to discuss the best future for all South Africans with a pistol cocked in their ears and a landmine under their chairs, would not be able to give South Africans the best possible constitution to leave for our children and our children's children.

Please explain

If our assumptions of the ANC's document are correct, we as businessmen believe that the ANC is not a political party but a terrorist organisation, bringing pressure against the people of South Africa in the guise of a democratic political action and in so doing, destabilising the country.

We trust that the ANC will indicate to the public of South Africa whether our conclusions based on its publication are correct or incorrect.

Businessmen for Growth and Stability

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Fabcos calls on business to help end the violence

B Day 7/5/91

THEO RAWANA 30

FOUNDATION for African Business and Consumer Services (Fabcos) president T J Ngcoya yesterday called on business to support efforts to end violence.

Addressing the Fabcos AGM in Johannesburg yesterday, Ngcoya also urged leaders of the ANC, Inkatha Freedom Party, the PAC and Azapo to meet to try and resolve the violence.

Inviting all organisations to launch a fund-raising campaign to provide relief for victims of violence, Ngcoya added that business organisations should consider a strategy to address the violence and warn of its economic consequences.

Ngcoya's appeal came on the day the SA Chamber of Business placed newspaper advertisements urging support for President F W de Klerk's summit on violence.

Ngcoya said Fabcos was distressed at "political point scoring, personality clashes, organisational posturing and vigorous struggle for political gains ... while the flame of violence continues to consume the country.

"We believe the preservation of human lives and saving the country are ideals which are far bigger and more important than any party-political consideration."

Shield follows right road

B Day 7/5/91

MARCIA KLEIN

(86) (30)

SHIELD Trading's results for the year to end-February, in which earnings grew by 34,4%, reflected the correctness of its decision to concentrate on strategic franchising, said a director.

Shield, which distributes food and allied products to its 385 retail and wholesale franchise members, increased its turnover by 26,7% to R648,9m (R512,2m), and boosted its operating income by 47,3% to R18,2m (R12,4m).

Group director Mark Smith said yesterday that results at the turnover and operating income level were "a clear indication that the group's disinvestment from straight retailing or wholesaling proved to be correct".

In 1989 the group decided to sell its Success outlets and to concentrate on strategic franchising. Smith said the concept of franchising had proved to be "a good formula for Shield, with each store's management control being as good as possible".

He said that operating income included interest earned for the year, which was substantial because of tight management control.

This was also a reflection of effective management contol at head office.

Rebates of R10,2m (R7,3m) reflected a 39,7% increase in rebates paid to franchise members.

Smith said many listed companies did not make at the bottom line what Shield gave out to its members in benefit payouts

Income before tax was nearly 60% up at R8,1m (R5,1m), and increased tax of R3m (R2m) resulted in a 34,4% rise in income after tax to R4,2m (R3,1m).

Earnings increased similarly to 12,6c (9,4c) a share. At the February 1990 year-end Shield forecast earnings "well in excess of 25%".

A dividend of 6c a share — including an additional dividend of 1c a share — was declared, 33,3% up on the dividend of 4,5c a share declared at the end of financial 1990.

Chairman and MD Theo Muller forecast that good results would again be achieved for the year ending February 1992".

30 ARGUS 7/5/91

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Hoechst invests R2,5m in the SBDC

B Day 8/5/91

THEO RAWANA

CHEMICAL giant Hoechst yesterday announced it had bought a R2,5m share in the Small Business Development Corporation, the largest single capital investment by an international company in the SBDC so far.

Hoechst SA MD Reinhard Traub said the company viewed the investment in the SBDC as a continuation of its involvement with small business development since 1987.

Hoechst, a subsidiary of the German multinational Hoechst AG, sought and received permission from the mother company to make the investment, SBDC PRO Dawie Crouws said.

In terms of the investment contract with Hoechst, the SBDC also bought Hoechst's previous head office site and buildings in Industria for R6,772m.

The contract also entailed the conversion — estimated at R1,5m — of buildings on the site to provide premises, services and training for small business entrepreneurs, said Crouws.

Completion of the complex — to be known as Tower Hive — by the end of the year would provide 70 additional lettable units, totalling 9 500m² of floor space.

This would bring the SBDC's total floor space for such small business facilities nationwide to 836 000m² (equal to 170 football fields) with 5 170 units, Crouws added.

Conversions at the Tower Hive had already started and some units were already occupied. The aim was to accommodate small business entrepreneurs in fields such as metal work, woodwork, electronics, service and chemical industries, upholstery, clothing, appliance repairs, light manufacturing, printing and signwriting.

Accepting the R2,5m cheque, SBDC MD Ben Vosloo said he was optimistic the investment would mark an upsurge in foreign investment in southern Africa.

"The SA economy would benefit greatly if other SA subsidiaries of big international companies could follow this example. They are on the scene and can best advise their mother companies on the most suitable opportunities for investment that will encourage economic growth in the region," said Vosloo.

30

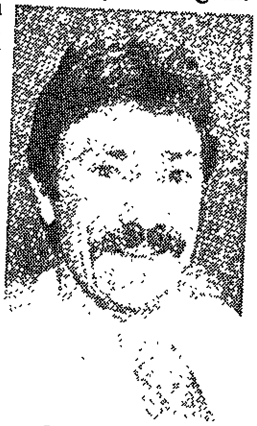
Talks on Checkers sale fall through

B Day 8/5/91 (30)

MARCIA KLEIN
and GILLIAN HAYNE

TALKS on the sale of Checkers between Tradegro parent Sankorp and an unnamed SA-based consortium with foreign financing fell through on Monday.

Sankorp GM investments Etienne le Roux confirmed yesterday that negotiations had fallen through "mainly because of the price".



● MARTINENGO

Checkers MD Sergio Martinengo said the price was more than R100m, but he would not be drawn on a more accurate figure.

Le Roux would not disclose the price or say with whom negotiations had been held.

He did say the negotiator was a consortium which included Israeli members.

One analyst was shocked to hear the deal had fallen through as it had been "as good as signed" — the price had been agreed upon and just a "small matter of shares" had to be worked out.

The problem of what percentage of Tradegro the consortium was to buy appeared to be insignificant in terms of the whole deal, he said.

It seemed that the consortium might have discovered something it was not previously aware of.

Le Roux said other parties were showing an interest in Checkers and Sankorp was talking to them.

Martinengo thought one of the new parties was based abroad.

In terms of the proposed unbundling of Sankorp subsidiary Tradegro, of which the 168-store Checkers is a part, all Tradegro companies, with the exception of Cashbuild, are to be sold.

Tradegro has already sold Smart Centre and the Frasers mine stores to Pepkor for R31m and R13m respectively, and agreement has been reached for the sale of 70% of Tradegro's holding in Metro to the Premier Group.

Speculation in the market is that Sankorp could also be talking to Prefcor, Bidcorp and Pepkor.

However, Pepkor chairman Christo Wiese said at the release of the group's results the group was not interested in any more Tradegro companies.

Bidcorp chairman Brian Joffe has also been reported as saying that he had no interest in buying Checkers.

Although Premier has been mentioned previously, an analyst said yesterday it would probably be out of the running following the Metro and Score deal.

He said some companies might want some of the stores, but none would want the whole group.

Prefcor, with former Checkers MD Clive Wiel, was a strong possibility, the analyst said.

In the six months to end December Checkers, which was estimated to be worth at least R150m, pushed up sales by 7,5% to R1,7bn, but posted a pre-tax loss of R467 000 (profit of R9m).

Martinengo said he was not worried about the problems selling the supermarket group as previous buyouts had taken Checkers from strength to strength.

He said although Checkers and the rest of the retail sector were experiencing difficult trading conditions, he had initiated many changes since becoming MD and believed the group was well positioned for the upswing in the economy.

Edgars jets ahead as sales soar 25%

B Day 8/5/91

MARCIA KLEIN

EDGARS has boosted earnings a share for the year ending March by 22% to 296c (243c), representing the 22nd consecutive quarter of earnings growth for the clothing retailer.

The SA Breweries subsidiary, whose operating divisions include Edgars, Jet Stores and Sales House, achieved the performance on a 25% increase in sales to R2,5bn (R2bn).

A dividend of 113c a share was declared, a 22% increase on the 93c a share declared for the previous year.

Proud directors said yesterday the consistent increases in earnings came from a business in an industry which was considered to be cyclical.

CE and MD George Beeton said monetary growth in the national clothing, footwear, textiles and accessories market was restricted to an estimated 14% (19% last year), yet Edgars' turnover had grown by 25% and market share had increased from 15,5% to 16,8% due to "aggressive marketing of desirable merchandise to the group's extensive customer base".

Edgars has 2,5-million active accountholders, compared with 2-million at the March 1990 year-end.

Operating profit grew 23% to R353m (R287,8m), and a 31% increase in net financing costs to R58,6m (R44,7m) saw pretax profits up 21% to R294,4m (R243,1m).

Financial director Mark Bower said the balance sheet was strong, and borrowings of R34,6m (R100,3m) suggested strong cash flow and improved operating management. Retained cash of R38,9m compared to utilised cash of R26,4m in the previous year. Gearing fell from 64% to 59%.

Attributable earnings — after tax of R144m (R119,6m) were up by 22% to R150,4m (R123,5m).

In terms of the group's divisions, Edgars' sales increased by 29% while its market share grew from 10,5% to 11,7%, bringing its contribution up to 84% of group attributable earnings.

Beeton said Sales House, which contributed 16% of the group's profits, also had a good year. With a 20% increase in sales, it grew slightly in terms of market share.

Jet Stores maintained its market share, and sales grew by just 2%. Beeton said Edgars had invested substantially in Jet. However, the corrections would not be evident immediately. Edgars and Sales House

To Page 2

Edgars

B Day 8/5/91.

From Page 1

were "number one in their markets, and it would take Jet three to five years to become number one".

The group's fledgling business Express was a small store concept still in an experimental stage. Beeton said he was hopeful it would become a viable business.

The group's manufacturing arm had a good year, increasing pre-tax profits by 33%. Beeton said strategically this division was very important, especially with regard to exports, which would grow significantly in the future.

He said although shrinkage was "a little concerning", it had only increased from 1,28% to 1,35% of sales due to excellent controls. There had been a slight deterioration in bad debt profile from slightly below 2% (including provisions) to slightly above 2%. However, this had been deliberate in order to benefit from growth in some market segments.

Store space increased by 5% over financial 1991, and would increase by 2,7% next year, with 10 new stores opening. Beeton said the group was looking at increased profitability next year. Earnings growth in the next financial year would be satisfactory, "which meant at least better than inflation".

CNA Gallo helped by top trading conditions

B/Day 8/5/91 (30)

MARCIA KLEIN

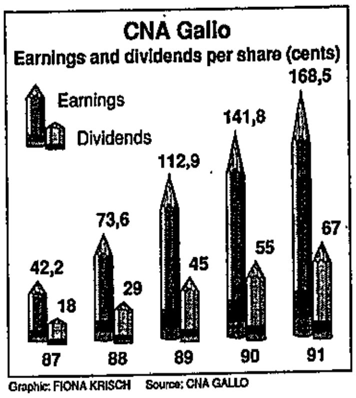
RETAIL and entertainment giant CNA Gallo's (Cnagalo's) 21% growth in attributable earnings for the year to end-March came on the back of favourable trading conditions in almost all its operating companies.

Despite difficult conditions in the economy at large, Cnagalo, which sells books, magazines and stationery and manufactures and distributes records, tapes, CDs and videos, increased its attributable income to R55,2m (R45,8m), and hiked its dividend by 22% to 67c (55c) a share.

Turnover increased 17% to R798,4m (R680,0m) and operating profit rose 25% to R92,1m (R73,7m). Dividend income of R2,4m (R928 000), and a hike in the interest bill to R6,9m (R3,1m), saw profit before tax 24% up at R79,6m (R64,3m). A 28% tax increase to R37,2m (R29,1m) pushed profit after tax to R42,4m (R35,2m).

New MD Dennis Cuzen said Cnagalo's focus on cost saving and efficiency, as well as positive sales performances, produced a "most satisfactory increase in earnings a share", which rose 19% to 168,5c (141,8c) a share on an increased number of shares.

Cnagalo's investment policy "continued to focus on investments in businesses with scope for synergistic potential with other group companies". In line with this, the group disposed of 60% of its shareholding in



Graphic: FIONA KRISCH Source: CNA GALLO

Video Lab and bought a 50% interest — and management control — in Nu Metro cinema group. It has also taken up a 33% investment in SA's first compact disc manufacturing plant, Compact Disc Technologies.

Despite a continued investment programme, the group's balance sheet remained strong.

In terms of the group's divisions, the retailing arm contributed R46,6m at pre-tax level, while entertainment divisions contributed R23,8m. Retailing contributed 73,1% to group turnover and 58,6% to group profits. Entertainment divisions accounted for 25,3% of sales and 29,9% of group profits. The entertainment divisions are expected to make a larger contribution in the next financial year following Cnagalo's investments.

An extraordinary item of R2,4m (R3,4m paid) represents profit on realisation of investments and trade marks.

In financial 1992, Cnagalo had budgeted for "a further — albeit more modest — growth scenario".

Checkers deal is off

30

Star 8/5/91.

By Ann Crotty

News that the talks between Sankorp and the Israeli consortium regarding the sale of Checkers were terminated on Monday afternoon because the parties could not agree on price has surprised many analysts.

Sankorp's Etienne Le Roux stated yesterday that at no stage had the two parties reached agreement on the price at which the transaction would be struck.

It was the haggling over price that finally led to the termination of the negotiations.

According to Mr Le Roux there are a number of other parties who are interested in acquiring Checkers.

He stressed that despite the failure of negotiations with a number of parties, Sankorp would not just give Checkers away and if the right price was not offered then Sankorp would "hold on to it and get it right".

CNA Gallo improves earnings

Star (30)

By Ann Crotty 8\5\91

CNA Gallo sustained its sterling first half performance to produce a 19 percent hike in earnings to 168,5c (141,8c) a share for the 12 months to end-March. A final dividend of 54c (44c) a share has been declared for a total of 67c (55c).

Compared with the performances of some semi-durable retail operators a 17 percent increase in turnover may not sparkle.

But the significant factor is that CNA Gallo's retail sales are all cash sales so it does not enjoy the boost that most semi-durable retailers are getting from their credit sales' activities.

It is the tendency by consumers to use credit that is powering the current surge in retail spending. By contrast the performances from cash sales has tended to be pedestrian in line with the weak economic conditions.

CNA, which is the retail division, accounted for 73 percent of group sales with the entertainment division, music and video accounting for the remaining 27 percent.

Denis Cuzen . . . Budgeting for modest growth.

This 27 percent of turnover is done on a credit basis to the industry and is not exposed directly to retail consumers.

Group turnover was up to R798,3 million (R679,9 million). The additional volume and the tight control on expenses helped to lift this to a 25 percent hike in operating profit — up to R92 million (R73,7 million).

The non-repeat of write-offs in the Literary group also made a significant contribution to the improvement in operating margins which were up to 11,5 percent from 10,8 percent.

Dividend income shot up to R2,4 million (R928 000) — boosted by the Video Lab transaction and overseas' investments.

Finance lease charges were little changed at R8 million (R7,2 million) but interest payments more than doubled to R6,9 million (R3,1 million).

The year-end balance sheet shows cash and bank balances up sharply to R26,9 million (R6,9 million). This is the end-March picture and is not a reflection of the group's average cash holdings during the year.

The relatively high interest payment could better be explained by the group's stock holdings which also fluctuate during the year but were on an upward trend.

At year-end these were up 28 percent at R141,8 million.

The tax rate was up to 46,7 percent (45 percent) which reduced a pre-tax profit advance of 24 per cent to a taxed profit of 20 percent. Profit before associate income was up 21 percent to R40,1 million (R33 million).

Associate income was up 19 percent to R15,1 million (R12,7 million) with Nu Metro contributing R2 million of this and helping to compensate for an unchanged contribution from Waltons.

Nu Metro

CNA Gallo has a 50 percent stake in Nu Metro effective from September last year. At the beginning of April, CNA Gallo acquired management control of Nu Metro at no additional cost.

Attributable income was up 21 percent to R55,2 million (R45,8 million). (There was an increased number of shares in issue.)

New MD Denis Cuzen is budgeting for modest growth in financial '92 but notes: "The attainment of this budget is very much dependent on the political and economic environment which currently remain of great concern."

Edgars raises profits by 22%

CMT Trib 8/5/91

JOHANNESBURG. — Edgars posted a 22% increase in earnings and a 22% increase in total dividend declared for the year ended March, in spite of increasing pressure on consumer spending.

According to financial results released yesterday, growth in the national clothing, footwear and textiles market during the period under review was 14% against 19% in the previous year. Group sales, nevertheless, increased by 25%.

However, slightly lower operating margins and high interest rates on increased average borrowings moderated the rate of growth in earnings to 22% or R150,4m (R123,5m). Earnings a share were accordingly higher at 296c (243c).

This was achieved on sales turnover of R2475,8m compared with the previous R1981,5m, an increase of 25%.

A final dividend of 80c (66c) was delcared making a total of 113c (93c) for the year. — Sapa

Things go wrong for OK Bazaars

Star 9/5/91

By Ann Crotty

(30)

	12 mth to 31/3/91	12 mth to 31/3/90	% Change
Turnover (Rm)	4800	4219	14
Operating profit (Rm)	57,86	68,4	−15
Operating margin %	1,2	1,6	—
EPS (c)	120,3	163,0	−26,2
Dividend (c)	63	86	−27
Share price	1560	1800	—
PE ratio	12,96	11,0	—

Things went badly wrong for OK in the second half of financial '91. So badly wrong that a 12,7 percent earnings advance at the interim was turned into a 26 percent collapse in full-year earnings.

If there had not been a significant change in the treatment of tax (the tax charge was down to R4,4 million from R14,6 million), the bottom-line would have been much grimmer.

Pre-tax profit was down 44 percent to R19,4 million from R35 million.

The grim picture on the income statement is not reflected in the balance sheet.

Developments on this front are quite encouraging. Stocks were up by only six percent from R688,2 million to R729,4 million.

This is a commendable achievement in the face of a 13,8 percent increase in turnover — it reflected an improvement in stock turn from 5,6 times to six times.

There was an increased use of creditors, with interest-free current liabilities up 21 percent to R691,6 million (R571,3 million).

The combined effect was a reduction in working capital, which helped hold the increase in interest charges to 15 percent and gearing to 71 percent (67 percent), despite capex of R65 million.

It seems none of this was sufficient to save the income statement from the ravages of the grim socio-economic conditions that prevailed in the 12 months to March.

The 13,8 percent increase in total sales includes an increase in food sales of nine percent — way short of the inflation rate.

The remainder was made up by comparatively strong non-food sales, resulting in the food/non-food sales mix shifting to 58/42 percent split.

In financial '90 the split was 60/40.

While this change helped lift gross margins, other factors cut the net operating margins — from 1,6 percent to 1,2 percent.

The other factors included an increase in shrinkage and unexpected teething problems with the introduction of the centralised wharehousing system. (This hit in the second half).

The drop in sales in real terms meant greater difficulty in covering costs that are fixed in the short-to-medium term — which in turn resulted in margins being squeezed.

First-first half sales were weakened by strike activity, which meant management was saved some labour costs.

However, second-half sales were hit by economic factors and socio-political ones such as boycotts and stayaways — management still had to face the same labour bill.

As is often the case with OK, the tendency to write it off is matched by an appreciation of its immense potential.

Management is confident that the new warehousing sytem has now settled down.

A re-examination of the group's store portfolio on the basis of long-term profit criteria has led to a number of closures — with more to come. The balance sheet reflects much tighter asset mangement.

Defaulting debtors eat into Amrel's profits

By Jabulani Sikhakhane Star 9/5/91. (30)

An additional provision of R5,658 million against hire-purchase debtors in lower-income furniture operations took the the shine off Amrel's perfomance for the year to March.

MD Stan Berger says it's been the intention of the group to upgrade the quality of its debtors for some time.

Earnings per share were up six percent to 260c from 245c. A final dividend of 59c has been declared for a total payment of 87c (82c).

Boosted by a strong perfomance in the furniture division, which increased turnover 24 percent, group turnover rose 21 percent to R1,030 billion (R849,057 million).

Mr Berger says the furniture division contributed about 65 percent of turnover and 70 percent of profits.

Pre-tax profit rose 19 percent to R48,025 million (R40,363 million).

The group benefited from a lower tax rate, thanks to the adjustment of the cumulative deferred tax balance, which took into account a two percent reduction in the company tax rate.

As a result, tax payments were slightly lower at R18,189 million (R19,175 million).

Taxed profit improved 14 percent to R24,178 million from R21,188 million. After equity-accounted earnings of associates and earnings attributable to outside shareholders, attributable earnings rose six percent to R23,993 million from R22,566 million.

The increase in capital expenditure for upgrading and modernising certain stores was offset by minimal working capital requirements.

As a result, borrowings rose R18,3 million to R113,675 million.

SBDC gets R2,5 million investment

(30) 1183

Star 10|5|91

6/8

Finance Staff

The Small Business Development Corporation (SBDC) has received its largest single investment from an international company to date.

Hoechst SA, a wholly owned subsidiary of the multinational chemical company Hoechst AG in Germany, has bought SBDC shares worth R2,5 million.

Hoechst's involvement follows hard on the heels of a recent R70 000 investment by German company, Bosch.

The investment is linked to a SBDC industrial hive project, aimed at stimulating self-employment and job creation opportunities.

In terms of its contract with Hoechst, the SBDC buys Hoechst's previous head office site and buildings in Industria, Johannesburg.

The office block on the property now houses the SBDC's central region staff and services.

The training centre will be used to run the SBDC's small business training programmes on the West Rand and will also be made available to outside organisations.

Five old warehouses and an old pharmaceutical plant will be converted into industrial hives.

The whole complex, which the SBDC bought from Hoechst at market value, will in future be known as Tower Hive.

Hoechst MD, Reinhard Traub, said: "We see this investment as a continuation of our involvement with small business development in South Africa."

New vehicle sales up 13%

(36)

MARC HASENFUSS

COMBINED new vehicle sales increased 13% in April compared with the corresponding month last year, but industry sources stress that vehicle sales are not on the road to recovery.

National Association of Automobile Manufacturers of SA (Naamsa) figures show combined sales lifted to 26 094 units last month compared with the 23 096 units recorded in April 1990.

Volkswagen SA spokesman Ronnie Kruger says April is seasonally a strong month as purchase decisions are normally suspended until after the Budget.

Econometrix's Tony Twine says April sales this year were aided by a better spread of public holidays which allowed more selling days than in April last year.

Passenger vehicle sales for the month rose 16% to 16 772 (14 431) units, while January-to-April sales figures for 1991, at 69 645 units, were 5% ahead of the 66 527 units sold during the same period last year.

Light commercial vehicles (LCV) sales increased 10% to 8 582 (7 811) units, but sales in the first four months of 1991, at 35 100 units, were 6% down on the 37 311 units sold during the same period in 1990.

Medium and heavy commercial vehicles (MCV and HCV) sales remained in the doldrums. April MCV sales were static at 300 units, while HCV sales plunged 21% to 440 units (556). Sales in the four months to April were down 18% to 1 360 units (1 656) and 26% to 1 866 (2 473) for MCVs and HCVs respectively.

Naamsa expects the new commercial vehicle market to continue trading under pressure, with unit volume sales off fairly sharply until VAT is introduced.

Naamsa director Nico Vermuelen says government's decision to allow companies to write off more depreciation costs will help counter corporations' expected massive capex deferment during the period prior to VAT's introduction.

However, he doubts whether the accelerated depreciation will fully offset the incentive for businesses to defer purchases.

Combined new vehicle sales for the first four months of 1991, at 107 971 (107 967) units, are in line with motor manufacturers' predictions.

Bus Day 10/5/91

B/Day 10/5/91

New MDs at Topics, Truworths

20

LESLEY LAMBERT

CAPE TOWN — Wooltru's Speciality Retail Group (SRG) has appointed two new chain heads to cope with the growth phase the group is entering.

Michael Mark, 38, of Topics, will succeed SRG MD Eddie Parfett as MD of the Truworths chain, while Roy Lishman, 44, financial director of Truworths, will become MD of Topics.

The changes, both effective from July 1, will free Parfett from day-to-day operations to concentrate on future expansion through organic growth and new retailing opportunities.

"Once the new management structure is in place, I will be in a better position to manage further growth within the group — organically, as well as through the development of new speciality ventures and the possible acquisition of compatible businesses," Parfett said this week.

SRG has grown considerably since it was established three years ago, with the expansion and automation of both the Truworths and Topics chains, the development of Truworths Man and Daniel Hechter and the start-up of the home shopping venture, Leading Concepts.

The group's profitability index has risen steadily in recent years, growing from a base of 100 in 1986 to 808 in the 1989/90 financial year.

Afcol's annual earnings down by 14%

MARCIA KLEIN

MAJOR furniture manufacturer Associated Furniture Companies (Afcol) turned in a 14% drop in earnings for the year to end-March. B Day 10/5/91

Turnover slowed from a 21% growth in 1990 to an 11% growth in 1991 to R780,1m (R701,4m). This was due to the downswing in the economy and measures taken by the authorities to tighten monetary and fiscal policy, executive chairman Laurie van der Watt said.

He said against this background, the 10% increase in operating profit to R64,2m (R58,4m) was "very satisfactory".

However, a 29% increase in financing costs to R25,3m (R19,7m) and reduced contributions from associated companies saw attributable earnings drop by 14% to R40,0m (R46,7m). Earnings had dropped by 9% at the interim stage.

The full-year dividend also decreased by 14% to 81,5c (95c) a share after a final dividend of 34c (42,5c) was declared.

Van der Watt said cashflow from operating activities increased "by an impressive 29%" due to effective working capital management. Also, interest bearing debt had dropped to R95m (R117m at the interin stage), representing a gearing ratio of only 37% (46% at the interim).

Count on a diamond gem dealer

B Day 10/5/91

LINDA ENSOR

CAPE TOWN — The portability of diamonds makes them an attractive investment in an unstable political environment, says diamond dealer Winhall and Holmes director Peter Winhall.

"They are one of the most concentrated forms of wealth known and are therefore easily transportable ... a financial lifeboat," says Winhall.

He quotes the example of Rhodesia in 1979, where diamonds were sold at four times their ruling price in SA.

However, he says the gems offer more than "run money" to the investor as they have a proven record of appreciation.

He says that because diamonds are traded in dollars, one is in effect buying dollars when investing in diamonds. He adds that diamond prices are determined by De Beers, which has maintained these prices above the US consumer price index.

Other advantages of investing in the gems, according to Winhall, are their exemption from capital gains tax and their freedom from management and government regulation.

Tight asset control to remain Amrel's policy, says MD

B Day 10/5/91

MARCIA KLEIN

FURNITURE group Amalgamated Retail's (Amrel's) tight asset management policy, which included a R5,7m write-off, saw earnings for the year to end-March increase only 6%.

Amrel MD Stan Berger said the firm's policy of tight asset management was "steadfastly pursued for the fourth consecutive year", and would continue in financial 1992, when he expected minimal growth.

Attributable earnings grew 6% to R24m (R22,6m previously), or 260c (245c) a share. A final dividend of 59c (55c) was declared, bringing the year's dividend up 6% to 87c (82c) a share.

Turnover for the year increased 21% to R1,03bn (R849m), boosted by a strong contribution from the furniture division, which increased its turnover by about 24%.

Berger said poor consumer confidence, battered by high interest rates, unemployment, unrest and violence, "was partly cushioned by the relaxation of certain hire purchase restrictions on appliances in March 1990".

Operating profit was 19% up at R48,0m (R40,4m). Berger said this "bore testimony to management's stringent overhead controls".

However, R5,7m was written off as an "abnormal item against hire purchase debtors in the lower income furniture operations".

Berger said management believed this was prudent in the light of the current recession.

An R18,2m (R19,2m) provision for current and deferred taxation, lower because of adjustment of the cumulative deferred tax balance, saw profit after tax 14% up at R24,2m (R21,2m).

Berger said Amrel continued to provide for deferred tax. Relatively favourable phasing out arrangements on debtors' allowances had been indicated.

Capital expenditure to upgrade and modernise strategic stores saw borrowings increase by R18m. Minimal working capital requirements tempered this, pushing gearing from 71% to 75%.

The group's main target for financial 1992was to improve the quality of its earnings, Berger said.

FM 10/5/91 (30)

SUPREME INDUSTRIAL FM 10/5/91

CHANGING SHAPE

(30)

Supreme Industrial Holdings (SIH) derives its income from a 53% stake in Protea Furnishers and 98% of Supreme Manufacturing Holdings. It was a small, Cape-based manufacturer of stainless steel products until its interests were restructured with those of Sam Steele and Victoria Lewis in September 1989. In the first full year since the restructuring, turnover has almost trebled to more than R216m.

The pre-interest margin improved last year from 11,5% to 15,4%, and management feels it should increase further once all divisions are contributing. EPS improved by nearly two thirds, thanks to the turnaround in Protea Furnishers (see accompanying article). But Supreme Manufacturing encountered more difficult trading conditions. The manufacturing arm was expected to earn 5,4c a share, but it earned just 2c. It made a loss in the first half of the year, in particular because Mewa, a supplier of stainless steelware to the building industry, suffered from the slump in the market and allowed costs to get out of control.

Furniture manufacturer Victoria Lewis had a disappointing 1990, but is optimistic that a joint venture agreement to supply furniture retailers in the UK will help to compensate for any weakness in the local market this year. The star performer was Insulated Structures, which launched a new range of refrigeration units for national supermarkets.

However, SIH's biggest problem is excessive debt. Net borrowings almost doubled to R105m, and interest cover was halved to 1,6. The urgent need to refinance has led to a R20m rights issue at 160c a share — more than a 25% discount on the current market price of 210c.

The ultimate holding company, (unlisted) Supreme Holdings, will underwrite the rights issue, but it will not be extended to the two listed operating companies. Group financial director Roque Hafner says the purpose is to repay debt. SIH incurred finance costs of R20,3m in 1990. Hafner adds that SIH is comfortable with its present gearing and it will stay at the level attained after the rights issue. However, gearing would still be about 1,66, and the rights issue will increase the issued capital by about two thirds.

The share price has risen rapidly over the past year but appears to be levelling out. With such a large increase in the share capital, and interest costs likely to remain high, it seems the group will be hard pressed to reach its EPS target of 40c this year.

The share is trading at a generous earnings multiple of 7, though the rights offer is at a more realistic 5,3. The present p:e is in line with the average of 6,9 for the building and construction sector, but SIH is exposed to a wide range of industries; comparisons with the industrial holding sector would be more meaningful. It has applied for a transfer to this sector, where the average p:e is 10,4.

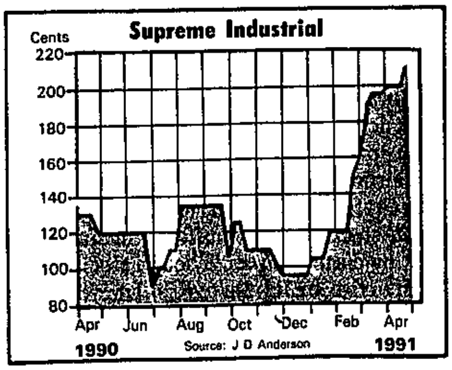
SIH is exposed to some volatile sectors and its gearing remains too high for comfort. The share looks expensive at 210c, though the rights offer price of 160c looks more reasonable.

Stephen Cranston

Activities: *Manufactures and retails furniture, and manufactures stainless steel and refrigeration products.*
Control: *Directors 85%.*
Chairman and MD: *E Ronbeck.*
Capital structure: *19,2m ords. Market capitalisation: R40m.*
Share market: *Price: 210c. Yields: 4,8% on dividend; 14,3% on earnings; p:e ratio, 7,0; cover, 3,0. 12-month high, 210c; low, 90c. Trading volume last quarter, 227 000 shares.*

Year to Dec	'89	'90
ST debt (Rm)	6,3	7,8
LT debt (Rm)	49,2	99,3
Debt:equity ratio	1,2	2,0
Shareholders' interest	0,30	0,2
Int & leasing cover	3,3	1,6
Return on capital (%)	5,9	14,9
Turnover (Rm)	76	216
Pre-int profit (Rm)	8,7	33,3
Pre-int margin (%)	11,5	15,4
Earnings (c)	18,6	30
Dividends (c)	7	10
Net worth (c)	163	182

Supreme's Ronbeck ... *wants to improve gearing*



COMPANIES

FM 10/5/91 (30)

Activities: *Retail furniture.*
Control: *Supreme Industrial Holdings 53,6%.*
Chairman: *E Ronbeck; CE: A Maraney.*
Capital structure: *70,3m ords. Market capitalisation: R39m.*
Share market: *Price: 55c. Yields: 5,5% on dividend; 37,3% on earnings; p:e ratio, 2,7; cover, 6,8. 12-month high, 60c; low, 35c. Trading volume last quarter, 646 600 shares.*

Year to Dec	'89	*'90
ST debt (Rm)	0,7	—
LT debt (Rm)	33,6	70,7
Debt:equity ratio	2,2	2,2
Shareholders' interest	0,2	0,2
Int & leasing cover	—	2,6
Return on capital (%)	—	31,2†
Turnover (Rm)	71	193
Pre-int profit (Rm)	(6,0)	31,7
Pre-int margin (%)	—	16,4
Earnings (c)	(129,6)	20,5†
Dividends (c)	—	3†
Net worth (c)	23	45,7

* 16 months trading period.
† Annualised.

PROFURN FM 10/5/91

RETAIL EXPANSION

Since Sam Steele Holdings was taken over by Supreme Industrial Holdings (SIH) in September 1989, and renamed Protea Furnishers (Profurn), the group's operations have been restructured and its profitability has improved. (30)

Manufacturing interests — Associated Cabinets, Stebarn Steel Products and Steeleboard — were sold and incorporated into Supreme Manufacturing Holdings, leaving Profurn free to concentrate on furniture retailing.

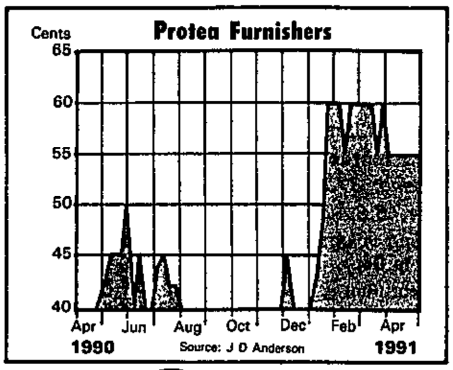
The retail furniture sector, particularly those chains serving the black market, had a buoyant 1990, and this is reflected in the Profurn results. After an attributable loss of R34,5m in the 1989 year, earnings of R18,8m were recorded in the 16 months to end-December.

The management team that Supreme installed closed 13 stores, resited 10 and opened four outlets for the main Protea Furnishers chain. Two new chains were established: the eight-store Supreme Furnishers in the neighbouring states and the 11-store TV retailer TV Life. These two chains, and the Protea Furnishers chain, focus heavily on the black market. According to CE Alex Maraney, the new chains are making "major contributions" to profit.

But the restructuring and the expansion of the retail operations left the balance sheet highly geared, with debt:equity at 2,2, and makes the company appear vulnerable to any deterioration in trading. SIH has extended long-term loans of R71m to Profurn, at interest rates 3% above prime. The debt was needed largely to fund working capital, which absorbed an additional R62m.

While turnover rose by 125%, stocks ballooned by 225%, partly because the new stores had to be stocked. Maraney says Profurn has had to borrow to finance new computer technology and head office systems, as well as the expansion into new markets. He contends the gearing levels will look more realistic when further sales growth has taken place. He expects sales to reach R200m this year.

Chairman Edward Ronbeck says adequate provisions have been made for bad debts and "unearned finance charges." Debtors showing three months of nonpayment represent just 2,4% of the total and these, according to Ronbeck, are fully covered by provisions in the financial statements. (30)



Ronbeck, however, forecasts EPS will rise to 30c this year. But a modification of Section 24, which allows furniture retailers considerable scope to defer taxation, would have a material impact on the accounts. Profurn has accumulated R51m under this allowance. Had provision for deferred tax been made last year, it would have reduced EPS by 7c.

In view of its recent problems, Profurn has an understandably low p:e of 2,7, compared with a furniture sector average of 7,7. Over the past year the share has gained 37,5%, though it slipped back from the high of 60c.

Apart from the high gearing, another concern is that reports from the Furniture Traders' Association indicate the furniture market has peaked. Maraney admits last year's boom in the black furniture market contributed as much to Profurn's turnaround as did management itself. He expects this year to be tougher. Until the group has proved its ability to cope with a downturn, the share looks a risky buy.

Stephen Cranston

SOWETA

Businessmen aim to tackle the violence

(30)

Sowetan 10/5/91.

VIOLENCE, unity among black organisations and the role business must play in post-apartheid South Africa, came under focus during the three-day annual meeting of the Foundation of African Business and Consumer Services (Fabcos) this week.

By JOSHUA RABOROKO

The meeting, whose theme was "Black Business in the Face of Political Change; Fabcos as a Catalyst for Black Economic Empowerment", condemned soaring township violence.

It was agreed that steps to end violence should seek ways to address the bloodbath without calling off further negotiations between the State President FW de Klerk and deputy president of the ANC, Nelson Mandela.

Violence

In his keynote address Fabcos president Mr James Ngcoya said the Government must use all its might to resolve the issue of violence without further loss to human life and limb.

Fabcos urged the withdrawal of live ammunition by the police as a measure to assist in rebuilding the tarnished image of police, and taking strong action against irresponsible police elements.

Firearms

"The Government is urged to disarm all other members of the community and to suspend all existing firearm licences. No new licences should be issued.

"Government should make the possession of any lethal weapons illegal and punishable," he said.

Ngcoya called for an urgent and unconditional meeting between Mandela, Inkatha president Mangosuthu Buthelezi, PAC president Mlambi Makwethu and Azapo president Phandelani Nefolovhodwe.

The meeting was attended by delegates from ANC, PAC, Institute for Multi-Party Democracy and Azapo.

Carnage

PAC's deputy president Advocate Dikgang Moseneke said: "The State, which suppressed our people for over 300 years, cannot be heard to say they cannot stop this carnage. It suits the State not to stop the violence.

"Our people, in this regard, reserve the right to defend themselves."

Plea

Dr Oscar Dhlomo, chairman of the Multi-Party Democracy, called on the ANC and Inkatha leaders to continue talks about peace, difficult as it might be at this time. "There is no alternative to peace and reconciliation," he said.

ANC's director of International affairs Mr Thabo Mbeki called for an end to violence, including in the taxi industry.

He urged that Fabcos play a leading role in advancement of black business.

World Bank may give loans

Millions set to pour in to SA

30

Argus 11/5/91

MAGGIE ROWLEY
Business Staff

MILLIONS of rands of World Bank loans are set to pour into South Africa to assist black businesses.

This follows a meeting last week between officials of the United Nations development programme, the Africa Project Facility and about 50 black Cape businessmen.

Mr Desmond Crowie of Philippi-based Desmond Crowie & Sons Construction, who organised the meeting, said the World Bank was set to open an office in either Cape Town or Johannesburg in the near future to administer funding.

"They are looking to providing loans of between R500 000 and R5million to black businessmen but will consider lower amounts if warranted.

"However they are only interested in businessmen who have a proven track record and a viable concern. They are more interested in aiding expansion of existing businesses than starting new businesses from scratch," he said.

Mr Crowie who was approached by the World Bank/International Finance Corporation in Washington DC to set up last week's meeting, said the World Bank was interested in aiding black businesses "to help level the playing field so we can compete in an open market in a new South Africa".

"Black businesses definitely need offshore funding due to the high interest rates of recent years and the continued hesitancy of financial institutions to provide funding for black businesses."

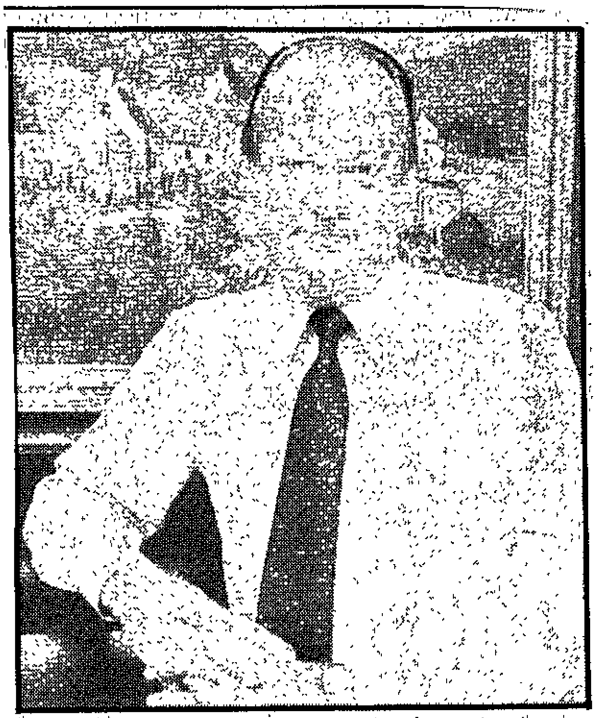
He said officials had indicated that loans would be provided at interest rates of between six and 10 percent.

"They are looking to establishing joint ventures with local businesses and will remain involved in the administration of the companies on a mentor basis until such time as the loan is paid off," he said.

He said he was confident the World Bank would "move shortly" to establish a South African office in spite of remaining sanctions against South Africa.

"They appear confident that the move away from an apartheid society is irreversible and the sooner they start providing funding the better for all concerned.

"Developments over the next six months will be critical but we are confident they will have established a South African office within a year."



GORDON HOOD: No room for Mom and Pop stores in the group

11 down and more to close at the OK

S|Times 12|5|91 · (30)

(Buss Times)

By IAN SMITH

THE CLOSURE by OK Bazaars of 11 shops in its 200-plus chain will have severe implications in the year ahead.

The rationalisation programme — two stores were closed in the last month — has some way to run, but managing director Gordon Hood will not be drawn on the final casualty total.

The first branch closures, disclosed in OK's disappointing preliminary report, cost the group R8,8-million in extraordinary write-offs in the year to March 31.

Tough times led to a 26,2% fall in earnings after a 13,8% increase in turnover to R4,8-billion.

The decision to close stores follows a "strategic re-examination".

The examination highlighted a category of shops which were not performing in line with group demands, says Mr Hood.

Typically, they do not dominate in their area. Many are 20 to 30 years old and do not have sufficient parking. Many are too small to carry the full range of goods, including furniture and appliances.

Sales growth in some cases is down to 6% or 7% a year.

"Reluctantly we have decided stores in this category have no place in the group," says Mr Hood. "They should be 'Mom and Pop' stores where the owners run the business and have flexible pricing and can reduce shrinkage to nil. Then the stores would have a future."

Theft

He says their poor performance has distracted top management from the big issues.

"They have taken our eyes off the ball."

The closures have resulted in minimum retrenchment, and the objective is not to reduce OK's head count, says Mr Hood. "We have operated with a staff complement of about 25 000 for the past 10 years and I do not see this figure changing much."

The shops at risk probably have a monthly turnover of R400 000 to R500 000 and will be replaced by two Hyperamas likely to generate sales of R6-million to R7-million a month.

A R52-million Hyperama at Kempton Park is due to open before Christmas and a deal is about to be signed for a super store at Midrand.

They will generate many jobs, but there could still be problems in transferring staff.

The yearend figures, which disappointed after a promising first-half, showed that operating income fell 15,4% to R57,8-million. Attributable income was down 26,1% at R14,9-million, and earnings fell from 163c a share to 120,3c. The final dividend was slashed to give 63c for the year compared with 86c in the previous year.

The group's heavy exposure to the mass consumer market meant it was vulnerable to politically induced business boycotts, stay-aways, social unrest and rising unemployment.

The lower fixed overhead recoveries as a result of depressed activity were aggravated by "abnormally severe" shrinkage — theft.

Benefits from the group's central warehousing distribution system, expected to flow from last September, only began to come through in February.

Mr Hood says forecasting in "present volatile socio-economic conditions becomes ever more speculative". He does not expect much improvement in the economic environment and the real disposable income of consumers in the lower- and middle-income groups.

That said, it's not all bad news from OK Bazaars.

With two serious strikes in the last three years behind it, the group concluded this year's wage negotiations in the shortest time in a decade, says Mr Hood.

Vehicle sales look better than 1990's

S1 Times (Bus Times) (30)

By DON ROBERTSON

16/5/91

FORECASTS of a depressed car market this year may be wrong because sales for the first four months are much better than expected.

Although car sales in April fell by 17,6% compared with March, total vehicle sales for the four months are 4,7% higher than in the same time last year.

Sales of commercial vehicles, including light commercials, are well down and this is "a source of serious concern", says the National Association of Automobile Manufacturers of SA (Naamsa).

Car sales in April fell to 16 772 from 20 368 in March, usually a good month. Sales in April last year were 14 431. Light commercial sales in April fell by 13,9% to 8 582 from 9 966 in March, but were 9,9% higher than in April 1990.

Medium commercial volume dropped to 300 units from 366 in March. Sales were 298 in April last year. Heavy commercials fell by 21% to 440 from 557 in the previous month and 556 last year.

Pepkor 'trading successfully in Britain'

B/Day 13/5/11. (30)

LESLEY LAMBERT

CAPE TOWN — Retail group Pepkor has opened a store in the UK through a recently established associate company, and is trading successfully.

The investment was part of a major plan to expand the foreign markets the group had developed in Europe during the past eight years and to open up new markets in the East, sources said yesterday.

Pepkor chairman Christo Wiese said the group had established an associate company in the UK.

It is understood the company — a small chain store operation — was formed through a link-up with a British retail group. The investment is likely to have positive spin-offs for Pepkor's local suppliers as much of the UK operation's stock will be produced in SA.

Wiese said: "We believe there are good opportunities in foreign markets for Pep's formula of retailing mass market clothing to the lower income groups. It does not seem as if the big UK companies are structured to focus specifically on the lower income clothing market."

More than a million chickens snapped up

B Day 13/5/91 (30)

MARCIA KLEIN

MORE than 1-million chickens were sold by two supermarket chains in a flurry of activity last week.

The Rainbow and Bonny Bird chickens were sold by OK Bazaars and Checkers.

More than 800 000 chickens were sold during the OK's three-day special offer — at R2,99/kg. Shoppers clamoured so furiously that some of the birds did not even touch the shelves.

Checkers sold about 900 tons of chickens at R3,69/kg during the week of its nationwide promotion, a spokesman said.

The retail chains' special offers arose from producer Rainbow wanting to move an oversupply of about 1-million chickens.

Rainbow national marketing manager Bill Brown said on Friday that the chicken price was totally determined by supply and demand, and there had a sales slump after Easter. Rainbow had to move its stock — mainly whole birds — which could not keep for a long time.

Brown said the lower prices generated "store traffic", and Rainbow was "extremely happy with the results". Other producers might well come up with special offers in other chain stores, he added.

OK marketing director Mervyn Kraitzick said the OK sold about 80% more chickens than expected. The promotion was "an unbelievable success and indicated that the consumer was looking for an opportunity to save money".

At the OK's selling price it actually lost money, but the promotion was a "loss leader". It was an opportunity to give the consumer a good deal and to draw customers. As the opportunity arose, the OK would have more promotions, he said.

Signs of a deal on Barplats

MATTHEW CURTIN

RAND MINES' decision to inject R70m, in conjunction with Anglo American, into its Barbrook gold mine — which has been out of action since December — may indicate that the group is close to signing a deal with Genmin over the future of its Barplats platinum operation. BDay 13/5/91

Analysts said on Friday the group's decision to spent millions of rands on the gold mine, which is operating on a care and maintenance basis until there is a substantial rise in the gold price, was potentially a cause for concern. They said it was impossible to predict the long-term movement of the gold price and while the metal may have hit its lowest ebb, there was no sign that the price would rise in coming months.

If that was the case, Rand Mines risked "another ERPM" if it continued to spend money on the basis of unrealistic assessment's of gold's upward movement on which a mine's viability depended. ERPM's survival was secured only with assistance from government and banks, and hopes to revive the mine depend on the newly commissioned Far ~~East~~ Vertical shaft.

At the same time, ~~Barplats~~, whose Crocodile River mine has had problems with smelting and maximising underground production, was desperately in need of short-term funds. The mine ran out of working capital in August last year and has projected capital expenditure of more than R230m this year.

However, if Rand Mines has already sealed a deal in outline with Genmin in which the group's Impala Platinum operation would take responsibility for Barplats' future, then Rand Mines could afford to release funds for Barbrook.

Morkels bounces back as market share rises

BDay 13/5/91 30

MARCIA KLEIN

IN what directors called "one of the most successful years in the company's history", Morkels, consisting of 89 furniture stores and 24 Totalsports sports goods and apparel stores, increased its earnings by 63,4% to 23,7c (14,5c) a share, off a low base.

Morkels, whose five-year above-average earnings growth was brought to an abrupt end in the year to end-March 1990 with a 35% drop in profit after tax, increased its turnover by 31,2% to R268,3m (R204,6m) and its operating profit by 56,3% to R28,4m (R18,2m) in the 1991 financial year.

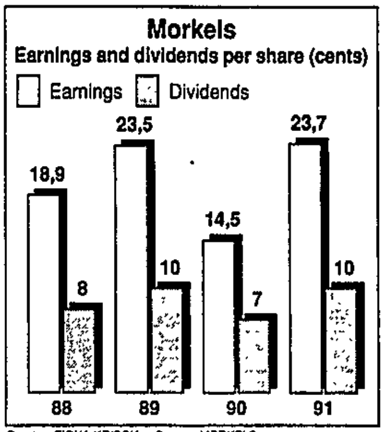
Operating companies Morkels and Totalsports both improved their market share. Morkels' turnover was 6,9% ahead of the furniture market, while Totalsports increased turnover by 57,8% compared to an estimated sports market growth of 22,8%.

In an aggressive new store opening programme, Morkels increased its stores by seven and Totalsports opened five stores. At least six new stores in each chain will be opened in financial 1992.

A 43,2% hike in the interest bill to R9,2m (R6,4m) — due to the capitalisation of leased assets — saw pretax profit 63,6% up at R19,2m (R11,7m).

After providing in full for deferred tax — taxation increased by 63,3% to R9,7m (R5,9m) — profit after tax rose by 63,8% to R9,5m (R5,8m). Retained income, after dividends of R4,0m (R2,8m), nearly doubled to R5,5m (R3,0m).

A full-year dividend of 10c was declared, 42,9% higher than the previous year.



Graphic: FIONA KRISCH Source: MORKELS

At the end of financial 1990, Morkels boldly published its anticipated 22% increase in turnover to R250m and a 42% boost in profit after tax to R8,75m for the year to March 1991.

If these goals were achieved, Morkel's operating margin would be 9% (8,1%), with earnings of 21,8c a share. Gearing would be reduced to 50%.

These results would leave management in line for an option granted to them to acquire 10-million shares from German holding company Daun et Cie.

Chairman Rian Pauw and MD Carl Jansen said "all the management objectives disclosed to shareholders in the 1990 annual report have, with the exception of the gearing ratio, been surpassed".

A considerable jump in gearing to 128% was mainly due to store growth, the finance lease capitalisation and the growth in the debtors book. Directors said it would not be in the shareholders' interests to improve gearing by raising additional equity capital, and Morkels would continue to fund working capital with borrowings.

A change in accounting policy with regard to capitalisation of finance leases resulted in increases in operating profit, interest paid, total assets and interest bearing debt and a reduction in attributable earnings equivalent to 1c a share.

EXECUTIVE SUITE

(30)

Pick 'n Pay aiming for higher growth

Star 13/5/91

By Tom Hood

CAPE TOWN — Pick 'n Pay is taking steps to restore its performance to the high rates of growth of previous years, chairman Raymond Ackerman says in the annual report.

"We are satisfied that a total commitment will be made in the coming year, which will achieve this goal," he says.

The company has maintained an unbroken pattern of profit increases for the 23 years since its inception.

But the earnings increase of 4,5 pecent to R86,6 million, though representing a solid performance in a recessionary climate, was less than forecast.

Economic conditions are still not easy, but "there are many positive signs, including what appears to be the imminent lifting of sanctions.

This, while not having a direct effect on the business, will certainly create a climate of greater confidence," he says.

"We believe the credibility of Pick 'n Pay with its customers is strong, which is evident in the growth of our market share, and further believe that the comprehensive business plan we have formulated for the coming year will enable us to demonstrate strong growth, particularly in the second half," he says.

Shrinkage, as a percentage of sales, was higher in the year to February 28.

Controls are being tightened and shrinkage should be reduced significantly this year.

Start-up costs of the new Food Hall division were substantially more than estimated.

Initial problems have been overcome and the division should prove a powerful drawcard and contribute to profits.

The installation of electronic price-scanning has been accelerated so that the whole company will be scanning when VAT is introduced on September 30, making it unnecessary to remark every item on the shelves.

Wage negotiations have been settled on an amicable basis, reasonably satisfactory to both parties.

The settlement will raise the wage bill by more than 16 percent, he says.

tin van der Poel, Jacques Meyer, Deon Kruger, Clifton
ler Merwe and Amelia Bresler. Picture: Herbert Mabuza

Certain shops still scooping bread tax

30

By John Miller Star 13/5/91
Star Line

Almost two months after sales tax was abolished on most breads, certain unscrupulous shopkeepers are still charging gullible customers sales tax.

A spokesman for Inland Revenue said that since GST was scrapped on almost all breads, it had received numerous complaints from consumers who had been charged sales tax.

The latest bread types to be classified as non-taxable include kitka, and cheese, garlic and milk breads.

Since March, white, brown, wholeweat and various sliced or special breads have been exempt from GST.

Consumers who are charged sales tax may contact the Johannesburg Receiver of Revenue at 836-2361 or their local office and, if they still have the cash slip, can demand a refund.

Spokesmen for the three major supermarket chains — OK, Checkers and Pick 'n Pay — each admit that the exemption on all wheat-based bread initially caused confusion and that a small percentage of customers were taxed. However, the problem had been solved.

Bread rolls and raisin and rye bread are still taxable.

Stock farmer shoots 2 lions

Attack on Tshing sparks boycott

30

By Thabo Leshilo Star 14/5/91

Residents of Tshing at Ventersdorp have embarked on a consumer boycott of white-owned shops as well as a work and school stayaway to protest against Saturday morning's unprovoked attack by alleged AWB vigilantes.

The attack came a few hours after police fired on white farmers trying to evict blacks who had reoccupied the farm Goedgevonden.

Several squatters at Tshing were injured in the raid, during which attackers stormed the camp, destroying shacks, cars and attacking people indiscriminately.

During a march to the offices of the local township authority yesterday, residents demanded the resignation of the superintendent, S Visser, for alleged involvement in the attack.

No further incidents have been reported since the attack on Saturday but residents, armed with knobkerries and sticks, patrolled the township yesterday for fear of another right-wing attack.

Tshing Public School was deserted.

A spokesman for the residents, Naledi Rampa, said the boycott would end tomorrow but could be extended if their demands were not met.

Western Transvaal police spokesman Lieutenant Rieta Ackerman said three white men had been arrested in connection with the attack.

Furniture retailers pinched

MARCIA KLEIN 30

TOTAL sales of furniture, appliances, audio equipment and TVs increased by only 15,1% in March, indicating that the retail furniture sector was feeling the pinch.

Sales figures have been falling off since the end of last year. Bouyant sales for most of 1990 — with average increases of between 20% and 30% — dropped to a 17,6% increase in January and 20,1% in February.

March figures issued by the Furniture Traders Association (FTA) showed across the board sales were "not good", FTA executive director Frans Jordaan said yesterday. B/Day 15/5/91.

While a 32,5% increase in sales of audio equipment indicated sales in this sector were still fairly bouyant, they were down on the growth in previous months.

Actual figures — which showed percentage increases at current prices — reflected a 10,3% increase in furniture sales compared to March 1990, while appliance sales grew by 20,2% and TV sales increased by 13,7%. Jordaan said the figures were a cause for concern.

"When you take the current inflation rate of about 15% into account, we are looking at negative growth in a couple of areas," he said.

**A big crowd and media representatives gathered outside the Rand Supreme Court yesterday as Winnie Mandela left the bui[l]
to six years in jail.**

Strong support for Ventersdorp stayaway

S/Day (15/5/91)

THE Western Transvaal town of Ventersdorp was reportedly deserted yesterday, the second day of a work stayaway by residents of Tshing township, with another black stayaway scheduled to start at Krugersdorp tomorrow.

While the three-day Ventersdorp stayaway is a reaction to an attack by right-wingers on squatters at Goedgevonden farm on Saturday, the Krugersdorp stayaway is to protest against Sunday's massacre of 27 people by an alleged Zulu impi in Swanieville squatter camp.

A memorial service for the dead would be held at the Kagiso community hall at 11 am tomorrow.

A trader said yesterday Ventersdorp looked like a ghost town. Another store manager who reported a 70% drop in business added there had been "quite a bit of intimidation".

However, police said they had not received any reports of intimidation.

A Ventersdorp town council spokesman denied there had been any boycott.

30

Operation Masakhane for the Homeless spokesman Basheer Lorgat maintained the stayaway in Ventersdorp was "100% succesful".

A decision on the stayaway and a possible consumer boycott would be taken today, he said.

The KRO's Mokonyane said charges of murder could not be limited to the six people arrested in connection with the Swanieville attack, "but the whole 900 Zulu impi . . . must be charged with common purpose".

She said the KRO had threatened the council with mass action if Swanieville refugees were evicted from a council building in Azaadville.

☐ Police yesterday reported two people killed in the latest political violence in the 24 hours to late Monday night, including another man found hacked to death at Swanieville. The second victim was stabbed and hacked to death at Bomela in Port Shepstone.

● See Page 5

R20m centre to round off top black suburb

(30)

IN LINE with the need for the development of retail and shopping facilities in black townships and suburbs, a R20m shopping centre with office and entertainment components is set to launch Spruitview, the East Rand's most affluent black area and first freehold black suburb, as a hub of commerce and enterprise.

The Spruitview Shopping Centre, developed by a syndicate formed by Joel Melamed, Sidney Hurwitz and Jules Levitan, is scheduled for completion in October.

The multimillion-rand venture has attracted investment from major retail tenants like Pep Stores and Link Pharmacies and is fully let except for the supermarket and restaurants, for which negotiations are under way.

"Rentals range from R25m² to R45m² and we will be offering late-night and weekend shopping," Melamed said. B Day 15/5/91

"While we have not excluded white tenants, all tenants so far have been black," he added.

The east wing entertainment centre has been anchored by Ster-Kinekor with a 790-seat cinema complex, which leaves 400m² for a restaurant franchise and a mezzanine area for a disco bar lounge.

"Comprehensive market research supports our projection that the Spruitview Centre will find enormous success as a free-market venture. The total retail potential of the 22 000 households in the centre's 2,5km radius is comfortably within the R19m a month mark," Melamed said.

This figure is set to rise to at least R29m in two years and to go as high as R34m by 1995, in present-day monetary values, he added.

To date, 30% of the 2 500m² air conditioned office space has been let at R20m², which offers opportunities for business professionals to set up offices in close proximity to their homes.

"In addition, we are approaching leading commercial banks with a view to accommodating a central banking mall," Melamed said.

Pep Stores group a feature on JSE

Star 15/5/91

By Jabulani Sikhakhane

30

PEP Stores featured strongly on the JSE yesterday, with over three million shares valued at R81 milion booked over.

This is equal to about 6,6 percent of Pep's issued share capital.

The deal was effected at R27 - 200c down on Monday's closing price.

It is believed the book-over relates to last year's transaction whereby some institutional investors sold their holdings in Pep stores in return for a stake in Pepkor.

This resulted in Pepkor increasing its stake in Pep stores to around 94 percent from 87 percent.

Market sources believe that Pepkor may have decided to reduce its holding and placed these shares with an institution.

In the rest of the market, the value of gold shares rose by 3,4 percent in response to a firmer gold price and a weaker financial rand. The gold index closed 36 points up to 1094.

On the gold board, AMGOLD featured with a gain of R10 to R189. Over R7 million worth of shares were traded 26 deals.

DRIES rose 110c to R35,25 and VAAL REEFS gained 450c to R187,50.

EERSTELING gold mine, which was placed under provisional lquidation last week, was suspended at the request of directors.

Mining financials benefited from improved sentiment on golds, and ANGLO rose 150c to R101,50.

Other features were AVHOLD PP, which rose 25c to 550c, with one million preference shares traded, taking the trade in the last two trading days to over two million.

Ahead of the annual general meeting today, SAAMBOU fell 2c to 168c, with 593 543 shares traded.

In the beverage sector, SAB rose 65c to R47,15 and ABI added 50c to R14. SUNBOP and M—NET were a touch firmer.

Other gainers were RAINBOW nil-paid letters, which were up 10c to 40c, and HLH nil-paid letters, also 10c up to 60c. RAINBOW ordinaries rose 20c to 320c.

● Gold-related shares were slightly firmer where changed in thin, late London trading, reflecting a small upward movement in world bullion prices, dealers said.

Gold found support in morning trading from a slightly easier dollar. However, dealers said investors were cautious over bullion's near-term direction, with the precious metal firmly entrenched in its current \$355/\$360 trading range.

Gold was fixed at \$357,95 in the afternoon after a morning fix of \$358. It closed on Monday at \$357.

AMGOLD rose \$3,75 to \$56,75 and WEST DEEP \$1,37 to \$30. WINKELS was unchanged at \$10,50 and SOUTHVAAL steady at \$23,75. — Sapa-Reuter.

W Rand traders try to end boycott (30)

By Glen Elsas Star 15/5/91
West Rand Bureau

About 400 Krugersdorp traders voted on Monday night to give the Crisis Action Committee a mandate to take further action to try to end the consumer boycott of the town.

Meeting at the Krugersdorp Town Hall, the majority of the traders — all of whom are feeling the effects of the boycott — passed a motion empowering the action committee to negotiate with the ANC regional Witwatersrand committee to try to resolve the boycott.

The traders also agreed to suspend payments of rates and taxes and all municipal levies if the council was not prepared to take part in a forum which would include representatives from different organisations.

Krugersdorp's management committee chairman Chris Viljoen reacted to this motion by saying the council would not be threatened by the action committee and that intimidating language would not be tolerated by the councillors, who had been democratically elected to serve the community.

The traders, as a show of support and solidarity, said they were prepared to close their shops for one day. They however refused to take part in a march.

The action committee was also given the go-ahead to explain to the Kagiso ANC branch that employees, irrespective of race, would have to be released from their employment if the boycott persisted, as the traders would be unable to pay their wages.

Such a step would lead to unemployment, poverty and an increased rate of crime. The Krugersdorp council and the Kagiso branch of the ANC could be held directly responsible for this.

The traders asked that the boycott be suspended for a period of two months starting on May 21.

Marshall Fourie, who chaired the meeting, warned the traders that they would have to stand together because "the town is bleeding and some people want to turn Krugersdorp into a ghost town".

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SOWETAN Building the Nation

Violence stops tills from ringing

(30)

Sowetan 16/5/91

WHEN dusk falls, Soweto businessmen curse.

Gone are the days when the sound of their tills used to reach a crescendo in the evenings as residents returned home from work.

Nowadays, there are fewer and fewer people who dare venture out into the night. The sound of tills in most shops has sadly reached a deafening silence.

While trading hours for most business concerns in the township allows them to open until 8pm, one would surely need the patience of Job to find a small shop at the corner open after 7.30pm.

Survey

A *Sowetan* Business survey in and around Maponya's Discount store in Dube, has revealed that after 8pm, nobody walks near the area, somewhat referred to as the central business district of Soweto.

The recent clashes between residents and Dube hostel inmates has only served to worsen an already critical situation.

Mr Lucas Tlhahane, the manager of Maponya's Discount Store, said: "We had to close for two days after May 1 because of the violent clashes around the supermarket.

Curfew

"With the Government's curfew still in place, we have also shortened our business hours by an hour, meaning we now close at 8pm instead of 9pm.

"Although an uneasy calm has returned to the area, our business situation has not improved drastically.

"We lost about R200 000 for the two days that we had closed the shop."

Also counting their losses is BJ's Fast Foods, who were forced to close for four days because of violence in the area.

BJ's Fast Foods manager, Mr Morris Mashele, says it is absolutely hopeless to open after 8pm.

"This has forced us to close two hours early.

"There is no point in keeping staff here when there are no customers calling," Mashele said.

By ALI MPHAKI

While agreeing that they have and are still losing a lot of money, Mashele could not stick his neck out and estimate the amount they lost.

At Alex Hair Salon and video hire outlet, the situation was no different.

Manager Mr Jackie Masike, however, said the fighting around the area had not affected their business that badly.

Normal

"We close at normal times and our clients are still coming as usual."

Big Daddy's fast food outlet manager, Ms Margaret Makhetha, said business was gradually returning to normal especially during the day.

She said at the height of the fighting between hostel inmates and residents, they had staggered hours of trade and were one day forced to close for the whole day.

"Generally business is poor. Some of our patrons came from the hostel and now they are afraid to come and buy.

"Even residents have dwindled in their numbers. It is only during the day where business is gradually returning to normal," she said.

Makhetha said they used to close at 10pm on weekends and 11pm on weekends, but had to alter their business hours because of the uncertainty of the situation.

"Depending on the situation, we now close around 9pm.

"This is bad for our business, but there isn't much we can do about it," she said.

A *Sowetan* Business team visited the area on Friday night, usually the busiest day of the week, but it looked like a ghost town.

Not a single person could be found at 10.10pm.

Near the Dube hostel, a police Casspir was parked.

MR RICHARD MAPONYA

Pick 'n Pay hopes upmarket food halls will raise profits

16/5/91

B/Day 16/5/91 (30)

MARCIA KLEIN

RETAIL giant Pick 'n Pay was confident its new upmarket food hall division would "not only prove a powerful drawcard but also contribute to profits" in financial 1992.

MD Hugh Herman said in the group's annual report that results for the year to end-February — in which earnings increased by only 4,5% to R86,6m on an 18,4% rise in turnover to R5,2bn — were lower than forecast.

This was attributed to factors including starting up the food hall division, shrinkage and a reduction in investment income.

The food hall, aimed at discerning shoppers who had little time available for shopping or preparing meals, was launched in Transvaal stores in the second half of 1990.

Product development on the new value-added range began in 1989, and there were about 500 lines to date, with another 500 expected during 1991.

The initial focus was on prepared foods, followed by canned products, wines, fresh produce and a small range of toiletries.

Herman said that until now, Pick 'n Pay had forfeited this large and rapidly increasing segment of the market.

The group had tried from time to time to capitalise on this market by developing special branded products, but exclusivity to Pick 'n Pay, and the advantages thereof, had not been achieved.

Targeting this new market was "possibly our greatest challenge since we introduced hypermarkets into SA", he said.

The commitment of human and material resources had been substantial.

The establishment of the food hall division had cost the group "substantially more than anticipated" due to teething problems in distribution and stock availability.

A team had been set up to manage the additional administrative tasks involved.

Pick 'n Pay's commitment to the food hall concept was "definite", he said.

Sales growth patterns were already exciting.

The concept had been enthusiastically received and the initial problems had been overcome.

The division would consist of a significant percentage of overall food turnover in the group in the future, he said.

A programme to introduce food halls in other parts of the country was in place.

The range would be introduced in certain stores only, due to its upmarket appeal.

In the year ahead the group was expecting strong growth.

A new hypermarket, two Pantries and two PriceClubs would be opened, and there was also a refurbishment programme.

A reduction in interest rates and the petrol price would increase disposable income, which should increase turnover, Herman said.

'Entrepreneurs can bridge conflict'

BIDay 16/5/91.

30

THEO RAWANA

ONLY entrepreneurs, who had hands-on experience of a free market at work, could act as a bridge between conflicting views on SA's future economic policy, Small Business Development Corporation (SBDC) MD Ben Vosloo said in Pretoria yesterday.

Addressing the national congress of the Public Relations Institute of Southern Africa (Prisa), Vosloo said SA should expect a battle for the minds of the people between the forces of individual freedom and enterprise, and central economic planning.

"We at the SBDC believe that the natural mediators between these conflicting world views are SA's entrepreneurs. Particularly those men and women who are engaged in the small business sector of the economy tend to be true free marketeers, although few would actually give themselves that label," Vosloo added.

Vosloo said for the average entrepreneur the critical question was not whether a concept was ideologically acceptable, but whether and how it worked in practise.

Without job-creating, economic growth and a prosperous economy, society would be condemned to impoverishment and all basics such as housing, education and health would fade out of reach. Vosloo said socialist rhetoric had lost much of its appeal and political momentum. "Socialism did not live up to its promises. Marxism/Leninism and Third World socialism invariably lead to authoritarian one-party rule or even one-man dictatorship and the violation of human rights.

"... In the final analysis it should be clear that our hope for the future does not lie in simplistic ideological rhetoric. It lies in a refocusing on the true nature of development at the grassroots level in towns, cities and regions," Vosloo said.

'Relevance' of education is a priority

PRETORIA — There was no doubt education was the key to a better future, but it had to provide relevant skills and expertise, Small Business Development Corporation MD W B Vosloo said. BIDay 16/5/91 -

Addressing a diploma ceremony at the Pretoria Technikon's Faculty of Economic Sciences yesterday, he said that should this test not be passed, there would be no future as nobody could doubt there was a crisis in the educational system.

Employers were also dissatisfied by the products of education.

"Their standpoint comes down to the fact that scholars and students are not being sufficiently prepared for industrial life," he said.

"Although unemployment in SA today is caused mainly by the stagnant economy, it is undoubtedly related to education." — Sapa.

Blackchain hopes for partnership in Checkers takeover

(30)

B'Day 16/5/91

LIZ ROUSE

BLACK-OWNED retailer Blackchain hopes to become a partner in a joint takeover of Checkers, a report in the latest Financial Mail says.

Sankorp GM Etienne le Roux has confirmed that negotiations took place last week with Blackchain and its banking associate Le Compagnie Financiere Edmond de Rothschild Banque of Paris over the possible purchase of Checkers.

Rothschild's Johannesburg-based counsellor Johan Eramus also confirmed to the Financial Mail that the French bank's assistant vice-president Patrice Meunier was in SA for discussions with Sankorp.

Blackchain directors Paul Gama (chairman), Sam Motsuenyane (African Bank president) and Solly Sebotsa also attended.

Erasmus told the Financial Mail that Rothschild Banque is talking to an international chain with good business experience outside Europe.

They are now investigating a possible synergystic deal, based on information supplied by Sankorp and Blackchain. It was hoped to enter into discussions within weeks, said Erasmus.

He said the bank's successful privatisation experience would stand it in good stead in devising a mechanism for a broad-based (black) shareholding in the future Checkers.

While the foreign investors would have initial control of the operation, clawback arrangements could facilitate share purchases and the broadening of the group's share base.

Blackchain's Gama told the Financial Mail the proposed takeover would not involve any major shake-ups at Checkers as existing managements and buying arrangements would obviously remain in place.

Blackchain could offer Checkers a new image in the black community and eventually branch out into neighbouring states, said Gama.

However, Sankorp's Le Roux says the Blackchain consortium is one of four serious contenders — along with other interested parties — currently investigating a possible bid for Checkers and Coreprop.

Consumer boycott of Ventersdorp begins

BDay 16/5/91 (30)

Business Day reporters

A CONSUMER boycott began yesterday in the western Transvaal town of Ventersdorp following racial tension and clashes near the town last weekend.

Operation Masakhane for the Homeless spokesman Basheer Lorgat said the residents of Tshing township had decided on the move at a mass meeting, Sapa reports.

However, a three-day work stayaway, which started on Monday, has ended.

The consumer boycott will be reviewed on June 13, but Lorgat said it was likely it would continue "unless there are concrete, dramatic developments".

Lorgat said earlier discussion between Tshing community representatives and local authorities yesterday had proved unsuccessful because the community leaders were opposed to the presence of Transvaal Provincial Administration officials.

Ventersdorp town clerk Gerrie Herman said he had not been notified of the residents' decision.

Yesterday diplomats, churchmen and politicians gathered at the western Transvaal farm of Goedgevonden near Ventersdorp to show their concern for the squatters there who have no food or water.

However, armed Department of Agriculture officials guarding the gate refused to allow the visitors in. A meeting was conducted over a barbed wire fence.

Police yesterday reported finding the body of a man with bullet wounds in Swanieville squatter camp on the West Rand, where 27 people were killed in a dawn raid by Kagiso hostel dwellers on Sunday. Another body was found in Mandela squatter camp in Katlehong.

The Human Rights Commission (HRC) said yesterday at least 314 people had been killed and 611 injured in unrest-related incidents in March.

In its latest report on repression the HRC said 206 were killed and 485 injured in the PWV region alone.

Consumer boycott hits Ventersdorp

Star 16/5/91 (30)

A consumer boycott was yesterday imposed on the western Transvaal town of Ventersdorp.

Operation Masakhane for the Homeless spokesman Basheer Lorgat said the residents of Tshing township, outside Ventersdorp, had decided on the boycott at a mass meeting.

The decision will be reviewed on June 13, but Mr Lorgat said it would probably continue after that "unless there are concrete dramatic developments".

He said the meeting was a follow-up to a memorandum delivered on Monday which demanded the resignation of Tshing's town clerk and an improvement in services to the township or, failing that, a reduction in rents.

Ventersdorp town clerk Gerrie Herman ~~said he had~~ not been officially notified of the residents' decision. — Sapa.

SACP general secretary Joe Slovo speaks in Kagiso yesterday. Picture: CATHERINE ROSS

Stayaway cramps Krugersdorp trade

BDay 17/5/91 (30) (1c2)

WILSON ZWANE

BUSINESS came to a near standstill in Krugersdorp yesterday when workers observed a stayaway call by the Kagiso Residents' Organisation (KRO) to commemorate victims of last Sunday's killings in Swanieville.

Krugersdorp Chamber of Commerce and Industries president Marshall Fourie said the stayaway was 70% effective.

"The town is quiet today (yesterday) and according to the information we have received from our members a major portion of their black workforce did not turn up for work," he said.

Fourie added yesterday's stayaway "exacerbated" the woes of the local businessmen suffering the effects of a consumer boycott which began four weeks ago.

Krugersdorp businesses canvassed by Business Day reported worker absenteeism of between 7% and 90%.

A Pick 'n Pay spokesman said 90% of their Kagiso worskforce did not turn up for work while a Checkers spokesman said absenteeism rate at their four branches ranged from 7% to 55%.

Businesses in Chamdor — an industrial area on the outskirts of Kagiso — reported low attendance percentages.

Police reported 10 arrests and one injury yesterday in the western Transvaal township of Tshing, where residents voted to impose a consumer boycott on Ventersdorp, Sapa reports.

The boycott resulted from last Saturday's attack by right-wingers on the nearby Goedgevonden squatter camp.

Although township residents earlier had reported that khaki-clad members of the Afrikaner Weerstandsbeweging were present when police raided Tshing at about 1.40pm, police said these allegations "cannot be confirmed as there is no evidence of their involvement in these incidents".

Operation Masakhane for the Homeless reported 13 people were wounded in the township during the day but police reported only one injured man — with birdshot wounds — who was arrested and charged with public violence.

On Wednesday at least six people died and 64 were arrested, police confirmed.

At Kagiso three women were hacked and stabbed to death, and a delivery vehicle was badly damged when petrol-bombed.

At Thokoza, near Germiston, police found the body of a man who had been shot.

Two men were hacked and stabbed to death at Gamalake, near Port Shepstone. One man was arrested.

In Cape Town, police arrested 39 people who had staged an illegal placard demonstration in the CBD. Police said the group had ignored a warning to disperse.

OK BAZAARS FM 17\5\91

POOR SECOND HALF

For the second year running OK had a disappointing year after encouraging interims. At halftime MD Gordon Hood predicted that earnings would be maintained if there was a stable trading environment. Recent results from Score, where earnings fell by 47%, already indicated that food sales to the black market are anything but stable. Boycotts and unrest hit the OK almost as badly in its core food business, and were the main contributors to the 26% earnings decline. (30)

There was some good news. Hyperama maintained its good performance and the furniture and appliance division had a good year, in line with the retail furniture sector.

FAR FROM OK

Year to March	1990	1991
Turnover (Rm)	4 219	4 800
Operating income (Rm)	68,4	57,9
Attributable (Rm)	20,2	14,9
Earnings (c)	163	120
Dividends (c)	86	63

The clothing division, which operates in the difficult cash part of the market, at least held its contribution. Without these results would have been catastrophic.

Hood says the introduction of central warehousing caused more problems than expected, and benefits were felt only from February. This year the system should help improve stockturn and reduce shrinkage. But OK has no plans to bring scanning into its stores, even though it pioneered the concept in its Randburg store. Management believes that returns from scanning do not justify the expenditure, and argues that the benefits of central warehousing are more tangible.

OK should also start reaping the benefits of its more focused store portfolio. Hood says too much is being read into the programme of store closures, which will affect about a seventh of store numbers.

"We are not going through a massive retrenchment. Our staff complement will remain stable. Our total floor space is actually growing and one Hyperama can replace the

continue →

FM 17/5/91 (30)

sales of 15 small stores."

An imponderable this year will be the introduction of VAT. It will increase the cost of a shopping basket, and could reduce demand for more expensive foods such as meat. Retailers will no longer enjoy the benefits of earning interest on GST before it is collected by Revenue.

Nevertheless, a whole category of loss-making smaller OKs is being culled. These stores cannot be enlarged and so can't carry an adequate range. Closure of the first nine stores led to an extraordinary loss of R8,8m.

But after the closure programme is completed, OK will still be left with a number of poor performers in its superstore category, which are deemed to have a long-term future. In particular, the Alberton store has suffered from recent black boycotts, and the Maritzburg store was the site of shootings, which understandably kept people away.

The programme of opening seven or eight stores a year has been maintained and authorised capex this year is up from R45m to R66m. Hood says the proportion of good to bad stores is constantly increasing.

Ultimately, the chain needs to get more feet through its doors. Turnover grew by 13,8%, though food turnover by somewhat less. OK will now build its marketing around core areas of strength. It will focus on successful departments such as music in successful stores. But one analyst points out that the OK formula itself, to be all things to all people, is the basic problem. It has too many lines and is competing against focused businesses in all product categories.

The devastation in profit performance was not repeated on the balance sheet, which showed signs of tightening cost control and strict cash management. Stockturn improved from 5,6 to 6,0. Gearing of 71% looks high for a business which is 85% cash, but at least was not markedly worse than last year's 67%. But OK continues to disappoint and the share cannot be recommended until it starts producing better returns. *Stephen Cranston*

FM 17/5/91 (30)

CNA-GALLO FM 17/5/91

PROUD RECORD

(30)

CNA-Gallo has one of the most impressive charts on the JSE. Since the market Crash in 1987, unabated demand has pushed up the share price more than sixfold. It traded at a 375c low that November; two years ago in May was 875c; a year ago 1 275c; now 2 375c. How is this performance justified?

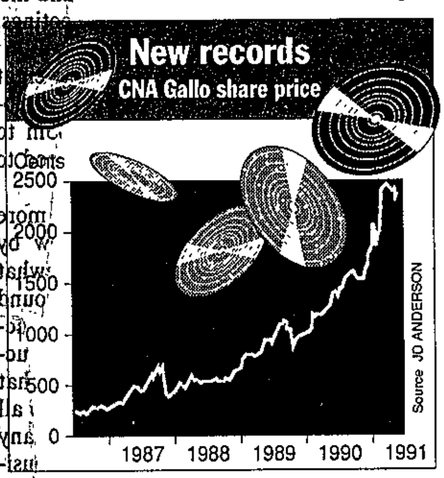
Simple, really: grow EPS by a compound 45% a year for five years. It is a remarkable achievement but precisely what the company has done. This includes the 1991 financial year when performance was stultified by the state of the economy.

Nevertheless, while growth was curtailed, EPS still rose a healthy and creditable 19%, slightly in excess of the 17% gain in turnover.

Earnings come mostly from 315 CNA retail outlets, which account for 74% of turnover and about 70% of profits. The balance is generated by what MD Dennis Cuzen terms "the entertainment division," which includes music, manufacturing, distributing and publishing companies as well as the promotion of artists and musicians.

Because of the dependence of the video industry on the film industry CNA-Gallo struck a deal with Nu Metro Cinema group. Wholly owned Gallo Home Video was reversed into Nu Metro and CNA-Gallo bought 50% of the merged entity for about R16m net. This brings much greater access to theatres, video distribution and theatrical distribution, while expanding the influence in the entertainment industry.

A further development was the acquisition



of one-third of SA's first compact disk manufacturing plant, Compact Disk Technologies. The first phase involves a R9m investment in plant which will be increased to R14,5m over the next three years as the plant becomes fully capitalised. Cuzen envisages that involvement in this area of production holds exciting potential for the entertainment division and for CNA retailing.

The unaudited balance sheet remains strong, with little use of long-term debt. Should borrowings be needed, Omnia, a partnership between Argus and Premier which owns 68% of CNA-Gallo, is always there. A negative factor in the income statement is the doubling of interest paid. Cuzen explains that this reflects the 1989 purchase of the balance of the 21% stake in Waltons.

Prospects this year are clouded by the state of the economy, but Cuzen is again optimistic for real growth. If share price behaviour is anything to go by, there is nothing to suggest that this won't be attained.

Gerald Hirshon

COMPACT GROWTH

Year to March 31	1990	1991
Turnover (Rm)	680	798
Operating profit (Rm)	73,7	92,1
Earnings (Rm)	45,8	55,2
Earnings (c)	142	169
Dividends (c)	55	67

CT 17/5/91

Mandela 'blew his chance to win over business'

Own Correspondent

JOHANNESBURG. — Business leaders indicated they would prefer President F W de Klerk's summit on violence to go ahead without the ANC after emerging disappointed and sceptical from a high-level briefing on violence by Mr Nelson Mandela yesterday.

The briefing, the biggest meeting between business and the ANC since last year's Carlton conference, was at the ANC's request and was held under the auspices of the Consultative Business Movement.

Attended by 107 top businessmen at Premier Group's headquarters, its main purpose was to allow Mr Mandela to explain the ANC's April 30 ultimatum.

Prominent business sources said Mr Mandela "blew" his chance to win understanding and sympathy by portraying the ANC as innocent victim of the violence and failing to explain why people were killing each other.

"You cannot treat businessmen like fools. Many present ... had put a lot of energy into the violence issues. They are well informed and know the explanation is not that simple.

"They will not accept pious exclamations of innocence."

CHECKERS FM 17/5/91 (30)

A NEW CONTENDER EMERGES

Can a minnow swallow a whale? Not really — but with a lot of faith and a line into an overseas source of finance, tiny black-owned retailer Blackchain hopes to achieve the impossible by being party to a joint takeover of Checkers.

Sankorp GM investments Etienne le Roux confirms that "negotiations took place" last week with Blackchain and its banking associate Le Compagnie Financiere Edmond de Rothschild Banque of Paris over the possible purchase of Checkers.

Rothschild's Johannesburg-based counsellor Johan Erasmus also confirms that the French bank's assistant vice-president Patrice Meunier was in SA for discussions with Sankorp. Blackchain directors Paul Gama (chairman), Sam Motsuenyane (also president of African Bank) and Solly Sebotsa also attended.

"Rothschild Banque is talking to an international retail chain with good business experience outside Europe. They are now investigating a possible 'synergistic' deal, based on information supplied by Sankorp and Blackchain. We hope to enter into formal discussions within weeks," says Erasmus.

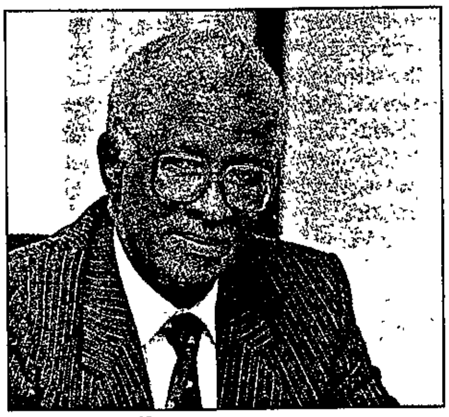
Rothschild has extensive experience in merchant and commercial banking, specialised offshore financing, portfolio and asset management, back to back transactions, barter trade and privatisation.

Last October, a Paris seminar for previous Trade & Industry Minister Kent Durr was attended by Rothschild Banque clients representing "a combined turnover of FFr856bn (about R428bn)." Erasmus says the bank's successful privatisation experience in countries such as Turkey, Hungary and Czechoslovakia would stand it in good stead in devising a mechanism for a "broad-based" (black) shareholding in a future listed Checkers.

"While the foreign investors would obviously have initial control of the operation, 'clawback' arrangements could facilitate share purchases and the broadening of the group's share base. Moreover, Blackchain's experience in and contacts with the black community (through the 100 000-member Nafcoc) would afford a Checkers under new ownership increased entry into the black market," he says.

But Sankorp's Le Roux says the Blackchain consortium is one of four serious contenders — along with "many other interested parties" — currently investigating a possible bid for Checkers and Coreprop. Negotiations between Sankorp and an Israeli consortium, which made a previous bid for Checkers, fell through last week.

"But I doubt if we will seal any deals before we have completed the unbundling of the Tradehold group (which holds 54% of Tradegro). This will not be before the end of June or beginning of July at the earliest," he says.



Motsuenyane ...
looking for leverage

Nevertheless, Le Roux does not exclude the possibility that Sankorp may accept a provisional offer before that. Even after unbundling, Le Roux doubts if the Coreprop and Checkers interests can be sold separately. "Tradegro is the guarantor of the leases between Coreprop and Checkers — so the bidding will either have to be for an unbundled Tradehold or for Tradegro (which includes Coreprop and Checkers)," he notes.

But a deal with Blackchain does have its attractions. Black buying power in the food and non-edible grocery areas is immense. Marius Laubscher, research director for the Human Sciences Research Council in Pretoria, estimates annual food purchases by blacks, based on 1990 prices, at about R11,6bn. The balance is made up by whites (R8,7bn), coloureds (R2,4bn) and Asians (R1,9bn).

In the non-edible grocery field, black buying power is also strongest at R2,3bn, compared with R1,2bn for whites, coloureds R380m and Asians R300m.

"While the percentage of sales taking place in the informal sector is not clear, black retail buying power already represents 43% (R31bn) of all retail sales in SA, totalling R72bn. Whites also represent 43%, with coloureds adding a further R6,6bn and Asians R3,4bn."

Laubscher estimates that retail sales will increase by 16,2% in 1991.

Blackchain's Gama says the proposed takeover would not involve any major shakeups at Checkers as existing managements and buying arrangements would obviously remain in place.

"But what we can offer the group would be a new image for Checkers in the black community, based on the Ubuntu (humanity) principle. This means that we can broaden sponsorships and socio-economic support for our customers and their communities. I can foresee a future Checkers not only opening new stores and shopping centres inside black urban areas like Soweto and Daveyton, but also, eventually, branching out into neighbouring states."

This aspect of Blackchain's contribution, combined with Nafcoc's influence in the broader black community, is apparently what's attractive to the prospective foreign investors who would like to broaden their involvement in a post-sanctions southern African market.

Gama suggests that the way forward for a future SA is not to follow outdated ideologies and political systems that will further impoverish people, but to allow growing scope for employment and economic growth that will be made possible through synergistic joint ventures such as the one proposed for Checkers. ■

HOTELS FM 17/5/91

TRADING DOWN

It's a market it has probably ignored for too long but Southern Sun's decision to enter the low end of the budget hotel sector has certainly been widely acclaimed.

Delano Caras, CE of hotel and tourism consultants Horwath Consulting, calls Southern Sun's joint venture with the French Accor group, to build and operate limited service Formule 1 hotels in Africa south of the equator, a bit of inspired thinking.

There has been a pronounced swing towards this type of accommodation, worldwide. Former Southern Sun executive Hans Enderle proved there was a gap in the SA market for no-frills accommodation when he founded the successful City Lodge chain several years ago.

To some extent, Southern Sun will be in direct competition with Enderle's establishments when it opens its first Formule 1 hotel east of Johannesburg at Christmas. The group also plans to concentrate its activities on major centres, but there's probably room enough in the market for both.

Says Southern Sun group MD Ron Stringfellow: "The number of people who can afford to stay in three- to five-star hotels is declining. The average occupancy of SA's hotels over the past 15 years was 55%. It dropped to 53% last year. The national average for the year to April (which includes the Gulf War and its affect on tourism) will probably be about 50%."

Continue →

'Retail sales to go up 1%'

BID ... 16/5/91

Business Day Reporter

RETAIL sales volumes will increase by 1% in 1991, predicts Unisa's Bureau of Market Research in its annual forecast of retail sales.

However, this assumes that Bank rate will decline to 15% by the year end — taking bond rates down 3%. The savings arising from lower interest payments should stimulate spending and lift sales volumes.

The average increase in the price of all retail items is estimated at 16,2%, against an expected inflation rate of 16,2%. Non-retail items will probably not rise by more than 11,5%.

The biggest increases will occur in the prices of:

- food (18%); (30)
- cigarettes and tobacco (18,2%); 16/5/91
- alcholic and non-alcoholic beverages (17,5%).

Food prices will be affected by the introduction of VAT while cigarettes and beverages will rise due to March increases in customs and excise duties.

The bureau is forecasting a 1% decline in real personal disposable income due to the real drop in remuneration of employees and business profits. Private consumption expenditure is expected to fall by 0,5%.

Feathers fly over chickens

Last week's low was 'one-off'

Star 18/5/91

30

JOHN MILLER
Star Line

THE country's biggest producer of chickens expects prices to steadily increase during the next few months.

Bill Brown, national marketing manager of Rainbow Chickens, which has more than a 50 percent market share, believes that last week's low prices, when about 1 million frozen birds were sold, was "a one-off" thing.

Spending less

However, spokesmen for two major chain stores, Checkers and OK Bazaars, disagreed with Mr Brown's estimate.

Mr Brown described last week's sell off at R2,99 a kg as a natural downturn after Easter. It was traditional, however, for prices to increase during winter.

Mr Brown did not believe there will be a dramatic increase. "People are spending less and this affects all primary producers of protein."

Ray Murray from Pick 'n Pay agreed that the cost of chickens will begin to increase but this will only take place some time next month.

Mervyn Kraitzic, marketing director of OK Bazaars, believed that consumers can look forward to more surpluses this year, a view supported by a Checkers spokesman.

● Union wage demands and packaging costs prevent supermarket chains from bettering meat prices offered by independent butchers.

According to a recent Housewives' League survey in Pretoria and Johannesburg in February, Checkers was the most expensive followed by Pick'n Pay then OK and the cheapest the independent butchers.

The meat priced included fillet, rump, topside roast, T-bone, brisket, chuck and mince.

Mr Kraitzic said the reasons for the generally higher prices were the cost of packaging and union wage agreements.

"The independents invariably do not sell prepackaged meat and they normally cut up the meat to order."

Defending the stores' prices he pointed out that the League survey did not include their specials, and he advised consumers to look for these.

Wider range

Clive Thomas director Checkers also admitted that prices were higher. He said, however, the supermarkets offered the consumer a wide range of goods, not only meat products.

Alan Ford from Blue Ribbon also attributed packaging and union wages as a major factor. He also said stores' meat was a higher quality.

Lynn Morris from the League said consumers must not only look carefully at the price of meat but also the quality that they are paying for.

Worker stayaway boosts four-week boycott

Philip Zolo and Brian Sokutu

The workers' stayaway in Krugersdorp, called yesterday in support of victims of the Swanieville squatter camp massacre, has intensified the effects of the consumer boycott staged for almost four weeks by residents of Kagiso and Munsieville.

While thousands gathered at the Kagiso town hall for the massacre victims' commemoration service, shopkeepers in Krugersdorp complained of poor business and serious cash flow problems.

The boycott is in protest against the Conservative Party town council's refusal to authorise a march into the town planned for April 6.

Meanwhile, a spokesman for the Legal Resources Centre says the council will not evict Swanieville squatters accommodated at the Azaadville Civic Centre.

About 547 people, including children, sought refuge at the hall after Sunday's pre-dawn impi raid on the squatter camp. At least 27 people died in the attack and 30 were injured.

Pitfalls face SA businessmen overseas

(30)

ARG 18/5/91

Weekend Argus Correspondent

WHILE the new political and economic climate in South Africa clearly opens many doors for South African businessmen, there are many pitfalls overseas which could trap the unwary.

That is the warning from UK-based management consultant Andy Rice, currently visiting the country.

He said this week that South African businessmen had a deserved reputation for acting swiftly, working hard and grasping any available opportunity with both hands.

"Basically, they must do their homework very carefully. There is little point in sending a middle manager to the UK to gather market intelligence when, clearly, he will spend the first three months simply trying to find his way around the London Underground."

Check the takeover – just up your street

...RICK LUTHAYI

19/5/91

...OWNED re- Blackchain has three other con- ...s to buy giant ...ore Checkers, owns 170 super- ...s countrywide.

...hain chairman ...ama confirmed ... that his com- ... its overseas as- ... Le Compagnie ... Edmond de ... Bank of Paris, ... negotiations ...heckers owners ... with a possible a joint takeover.

...behind-the-scenes ...ings have been ... locally by San- ...vestments gener- ...ger Etienne le and by Roths- ...hannesburg re- ...tive Johan Eras- ...

(30)

...s confirmed the bank's assistant ...sident Patrice had held discus- ...outh Africa with and with Black- ...ectors Gama, Dr ...tsuenyane and ...tsa.

...us said the bank was now an international ...in with business ... outside Eu-...

...k has extensive ... in merchant ...nercial banking, ... offshore fi- ...tfolio and as- ...ment, back-to- ...actions, barter privatisation.

...oid *City Press* ... was being ...erseas because ... almost impossible for blacks to duplicate the existing network of any of the three main stores – Checkers, OK Bazaars and Pick 'n Pay – because they were unchallenged in terms of market position and buying power.

He said now that Checkers was up for sale, it would be unwise for it to be bought by a white-owned consortium.

"Blackchain has positioned itself for real black economic empowerment. It must not be seen as a token under apartheid.

"Black people must be involved in the mainstream of the economy.

"Economic empowerment is not about allowing blacks to sell tomatoes and apples on every street corner, but getting them into real financial power houses," said Gama.

He said he was not calling for hand-outs, but for an innovative system of

Partner Solly Sebotsa, left, and Paul Gama ... in bid for retail giant. **Pic: ANDRIES MCINEKA**

Black group in bid to buy Checkers

(30) City Press 19/5/91

matching expertise with financial guarantees, such as joint ventures where the projects were huge.

"The truth is that blacks will not be able to undo the injustices and disadvantages of economic apartheid practised over centuries.

"We do not have sufficient skills or money. The reality of the dying South Africa is that wealth was created and accumulated solely along racial lines.

"If help is not forthcoming from local sources, we must internationalise our plight, and get managers and financial experts from all over the world.

"This is not new in the country. Many companies were managed by overseas people and this is what we intend doing if and when we acquire Checkers," he said.

Gama said both black and white employees of Checkers should not be worried about their future if the deal goes through.

"There would be no major shake-ups at Checkers. The present staff, managements and buying arrangements would remain as they are."

Share sale brings Pepkor R30-m

By Jabulani Sikhakhane Star 29/5/91

Pepkor made itself a handsome profit of about R30 million last week by selling over three million shares in subsidiary Pep Stores to an unnamed institution for R81 million — equal to R27 per share.

The deal reduces Pepkor's stake in Pep from 95 percent to about 88,4 percent.

Pepkor chairman Christo Wiese says one of the leading institutions could not get Pep shares on the market and then approached Pepkor. 30

Pepkor had increased its stake in Pep Stores in November last year in the wake of a deal whereby certain institutions swopped their stake in Pep Stores for Pepkor shares.

The Pep shares were sold to Pepkor at R17 per share by the institutions.

In turn, Pepgro, the ultimate holding company, bought Pepkor shares from Mr Wiese.

These were then sold to the institutions at R45 per share.

This deal partly saw Pepkor's interest-bearing debt rise from R13,1 million to R69,9 million in the 12 months to February.

When the original deal was done, speculation was that one of the funds in the Sanlam/Sankorp stable was swopping its stake in Pep for Pepkor shares.

Vital decisions for small firms

S/Times (Bus Times)

26/5/91

By JOHN TUDHOPE, director of Tudhope Tax & Financial Services

30

OWNERS of small businesses must make several VAT-related decisions which could have a significant effect on their cash flows.

Businesses with an annual turnover of less than R150 000 have been exempted from registration as VAT vendors. The consequences are that VAT cannot be charged on supplies (outputs) made, and more significantly, input tax refunds will not be granted in respect of purchases (inputs).

Most businesses will however be eligible for voluntary registration and will have to decide whether the level of input tax paid on their purchases would justify charging VAT on supplies before applying for registration.

Although VAT paid on purchases can be recovered in the sale price of supplies, registration should be considered where most sales are to registered vendors. These vendors will want to claim, as an input tax refund, the VAT they have been charged.

Another decision facing the small businessman is whether to account for VAT on an invoice or payments basis. Taxable supplies (excluding special or abnormal circumstances) must not exceed R1-million a year (excluding VAT) if an election is made to account on the payment basis.

Businesses that make supplies on a cash basis while paying for their purchases on credit (say, 90 days) are likely to select the invoice basis. This will entitle them to an immediate input tax refund despite only paying their creditors later.

On the other hand businesses that pay cash for their purchases but are paid by their customers on terms, will probably elect the payments basis because they will be required to pay the VAT collected only when it is received from customers.

Accounting records must be adapted to facilitate preparation of the VAT return to Revenue. A VAT ledger account should be opened in the vendor's general ledger so that all output tax collected can be credited to this account and all input tax paid on purchases, imported goods and services, and capital equipment etc can be charged to this account.

The balance on this account is either paid to or refunded by the Receiver. Businesses should maintain separate VAT ledger accounts for each two-month tax period, i.e. six ledger accounts should be operated in a particular financial year.

Separate

It is recommended that vendors create a separate column in their purchases journal in which deductible input tax is recorded. The cash book should also have a separate VAT column for expenses not processed in the purchases journal.

No VAT input credit may be claimed if a vendor does not have a tax invoice. All vendors must adapt their sales invoices or print new invoices.

Registered vendors will be allowed to deduct VAT on capital equipment.

Businesses that have paid GST on consumable goods (including maintenance spares) to be used in the course of their enterprises may reclaim the GST as an input tax credit when such consumables are used after September 30.

COMPANIES

Spar aims to become number three

(30) B/Day 21/5/91.

MARCIA KLEIN

SPAR is aiming to be among SA's top three food chains in the near future.

Spar Group CE Peter Hughes said yesterday Spar was number four after Pick 'n Pay, Checkers and the OK, but was "barking on the heels of number three".

Speaking at the 36th international Spar congress — the third to be held in SA — Hughes said Spar SA would sustain real sales growth of 5% a year for the next five years, following a real 6% performance improvement in financial 1991, when turnover increased by 27% to about R2bn.

Despite reducing the number of stores by 56 to 471, Spar managed to grow not only in terms of turnover but also by almost 1% in market share, and by 3% in "terms of retail selling area.

Hughes said the group's market share in SA was about 10,5%, but this excluded neighbouring countries which added 5% to the group's SA turnover. IBIS figures estimate Spar's share at 15%.

Spar International consists of 20 000 voluntary retailers in 20 countries with a worldwide turnover of about R55bn, of which SA contributes about R2bn.

Speakers at the congress include Spar International president Bernhard Schmidt, executive director Henk Zijderveld and Warren Clewlow, who is a director of Spar SA's parent company Barlow Rand.

Boycott shatters W Rand traders

Star 21/5/91

By Philip Zoio (30)

The month-long consumer boycott of Krugersdorp by neighbouring townships has struck so hard that several shops have closed and many other storekeepers are down to their last reserves.

"The boycott is killing Krugersdorp. Unless something is done in the next two or three weeks, it will become a ghost town," warned shopowner Dave Stark.

Solly Esopjee said that if the boycott, which began after the town council refused to authorise a protest march through the town, lasted more than another month, he would have to close down.

Shopkeepers near the taxi rank were especially hard hit. One — who last week turned over only R120 of stock — yesterday joked with butcher Carel van Zyl.

Deserted

"We're sinking anyway," said Mr van Zyl, "we might as well do it laughing."

In the Indian trading area, most tenants have not paid this month's rent.

Vincent Moshibile, who runs his father's greengrocer store, said: "We're crying, we're suffering."

Shopkeepers were virtually unanimous in recognising the need for the ANC and the CP-controlled town council to resolve differences.

Many were bitter about the apparent unwillingness of the CP to recognise the crisis.

According to the crisis committee chairman, Marshall Fourie, traders will have to survive at least another week of depressed sales. "We're pinning our hopes on next Monday's meeting" at which very sensitive discussions were to take place, he said.

(a) The vehicles are used by the ministerial staff who are often required to work late in the evenings and over week-ends. Certain private secretarial duties are undertaken during the day, which also necessitate the use of vehicles. Apart from the above one vehicle is provided for postal and messenger services and 3 vehicles for the police drivers who do not reside in Pelikan Park.

(b)

Ministry of Budgetary and Auxiliary Services:	1
Ministry of Local Government and Agriculture:	2
Ministry of Health Services and Welfare:	2
Ministry of Education and Culture:	1
Deputy Minister of Housing:	1
Department of Budgetary and Auxiliary Services:	1

Administration: HoD: shopping complexes

24. Mr S PACHAI asked the Minister of Housing:

30

(1) Whether a decision has been taken in principle to sell shopping complexes under the control of the Administration: House of Delegates; if not, why not; if so, when was the decision taken;

(2) whether a decision has been taken on the sale of the shops in the Ladysmith Plaza complex; if not, when is it anticipated that a decision will be taken; if so, what are the details in this regard;

(3) (a) how many shops in the Ladysmith Plaza were (i) occupied and (ii) unoccupied as at the latest specified date for which information is available and (b) who are the legal tenants of the occupied shops;

(4) whether any of the unoccupied shops have been leased; if so, who are the tenants?

D103E.1

The MINISTER OF HOUSING:

(1) Yes. A decision in principle was taken on 8 February 1990 to sell all shopping complexes.

(2) No decision has, as yet been taken to sell individual shops. A decision is expected to be taken shortly; market valuations are presently being obtained.

(3) (a) (i) 56.

(ii) According to departmental computer records none are unoccupied.

(b) See attached list.

30

(4) Falls away.

<u>Ladysmith Plaza Complex</u>

<u>Tenant</u>

M Akoo
Patsons General Dealer
Mr A J Sardiwalla
M V Riga and Sons
Medina Stores
M Suleman (Pty) Ltd
Union Watchmakers
Star Inn
Dr D Sardiwalla
Dr A H Sadoa
D M Narrandes
Vawda Bros
N Naran & Sons
E S Asmal
Vawda's Cycle Works
Cash Fruit Bazaar
Express Repairs
S M Karrim
M Goga
Electric Hairdressing Saloon
Davids Hairdressing Saloon
A Grant, Wood & Coal
R Magan & Sons
O R Singh Estate
Sader Bros. (Pty) Ltd
Dr M Khan
A E Dhoda
Bhayla's Clothiers
Miller & Zak Stores
A K Paruk
S M J Rasool
J Moosajee & Son
Best Bargain Bazaar
Seedat's Bazaar (Pty) Ltd
Karrims Supply Store
Karrims Restaurant
Karrims General Dealer
M H Moola & Sons
M R Parak

30

The Shoe
Oriental Melody House
Victory Studio
Moola Bros
Razack's General Dealer
Sonis Jewellers
Dr B H Singh
Dr S I Pandor
Khan Fruiterers
Riga Bros
Klip River Islamic Butchery
N E Meer
Medicare Pharmacy
Haribhais Jewellers
M Sader
Dr R Narrandes
S J Rasool

Cool Air: houses

25. Mr S PACHAI asked the Minister of Housing:

(1) Whether any houses have been built at Cool Air; if so, (a) how many, (b) when and (c) by whom.

(2) whether his Department has received any representations in regard to the cost of any of the houses built at Cool Air; if so, (a) when, (b) from whom and (c) what was the purport of these representations;

(3) whether a departmental inquiry has been instituted into the cost of these houses; if not, why not; if so, (a) when, (b) who was in charge of the inquiry and (c) what were the findings?

D104E

The MINISTER OF HOUSING:

(1) Yes,

(a) 136 Houses.

(b) Project commenced in 1989.

(c) Azalea, a housing utility company, appointed by the Local Authority, in this instance the Development and Services Board and financed by the Housing Development Board.

(2) Yes,

(a) December 1989.

(b) The former Deputy Minister of Housing.

(c) The representations were largely centred around the quality and cost of the houses.

(3) Yes.

(a) January 1990.

(b) The former Director of Housing.

(c) Despite apparent high construction costs and initial misgivings with regard to the quality of the houses, taking into consideration the limited number of houses, the services of the township layout to increase densities, the additional servicing cost to accommodate the additional sites created, the employment of local labour and the distance of the rural project from centralised development areas, having regard to all these additional factors, the development as a whole in the circumstances was considered reasonable and satisfactory.

Housing need

26. Mr S PACHAI asked the Minister of Housing:

Whether there is a need for housing in (a) Wasbank, (b) Richmond, (c) Colenso, (d) Winterton, (e) Bergville, (f) Mtubatuba, (g) Weenen, (h) Lidgetton and (i) Howick; if so, (i) what is the need in each case and (ii)(aa) when and (bb) how will this need be met?

D105E

The MINISTER OF HOUSING:

A general need for subsidised housing is recognised throughout the country and although records have been kept by the respective authorities concerning, *inter alia*, the (a) Wasbank, (b) Richmond, (c) Colenso, (d) Winterton, (e) Bergville, (f) Mtubatuba, (g) Weenen, (h) Lidgetton and (i) Howick areas, an updated need assessment still has to be finalised in order to accurately redetermine housing priorities. Further, the effect which the imminent scrapping of the Group Areas legislation would have on the migration portion of the country must also be borne in mind as depending upon the specific identified needs and the availability of funds, housing priorities will be evaluated, determined and satisfied in order of priority.

Star 23/5/91

Chamber in bid to end boycott of Krugersdorp

West Rand Bureau (30)

The West Rand Chamber of Business has called a meeting in a bid to resolve the Krugersdorp consumer boycott.

Marshall Fourie, who chaired last week's Traders in Crisis meeting in Krugersdorp, refused to divulge the names of organisations or individuals invited to attend.

He said the talks were of a very sensitive nature.

"I will not upset the applecart and the many hours of planning by commenting on this as I do not wish to jeopardise the whole meeting," he said.

Mr Fourie said there appeared to be some confusion as to who had initiated the boycott. It had been an action of the Consumer Boycott Committee — which consisted of at least five different parties — and not a single political party.

● An item expected to be discussed at this month's council meeting is a strategy covering public marches in the town. The boycott was apparently sparked off by a ban on a planned march.

SOWETA

Mrs Phyllis Thembeka Thai ... on the road to success.

Black businessmen looking to the future

Sowetan 24/5/91

By ALI MPHAKI

HAVING scratched the periphery of business for the past 21 years, the Southern Transvaal Chamber of Commerce hold their annual conference next week on May 28 and 29.

At the back of the delegates' minds is the painful reminder that despite two decades of operation in South Africa's most affluent area, no blacks or member(s) of the chamber are involved in REAL business.

Added to their woes is the looming entry of white businesses into the townships after the scrapping of the Group Areas Act.

Already, large white business concerns are building centres like Highgate and Southgate around townships to the distress of black consumers - a move unlikely to be effectively challenged by black business.

Soutacoc, as a principal affiliate of Nafcoc, is nonetheless aware of the seemingly insurmountable obstacles on its way and has aptly named their conference: "The Road Ahead - new strategies in addressing the changing legislation and current issues".

As president of Soutacoc, Mr Joe Hlongwane, who is also a senior vice-president of Nafcoc, says:

"After the conference we hope to be in a better position to collectively show some kind of clout.

"We believe the time has arrived for Soutacoc to show itself to be some kind of force to be reckoned with."

Items on the agenda include the sensitive issue of sanctions, the Land Acts, VAT, Group Areas Act and education.

He described the impending influx of white businesses to the townships as "white man's greed".

But despite all the hassles, looking back at the past 21 years, Soutacoc can pat itself on the back for having been party to some of Nafcoc's landmarks.

It played a leading role in the establishment of the first black shopping centre in Diepkloof, Blackchain; spearheaded the formation of the African Bank and has a scholarship called the Masekela/Mavimbela bursary fund.

Among speakers at the conference will be Mr Thabo Mbeki, the ANC's director of international affairs, Mr Dikgang Moseneke, deputy president of the PAC, Dr Gordon Sibiya, the only black nuclear scientist in South Africa, Dr Sam Motsuenyane, national president of Nafcoc, and Dr TG Alant, Deputy Minister of Finance.

Consumer boycott set to hit town

(30)

A CONSUMER boycott is likely to hit white-owned shops in Potgietersrus next month following widespread detentions of activists in the area.

Azapo regional publicity secretary Mr Khangale Makhado said the organisation would convene a meeting today with other structures at Mahwelereng to discuss a consumer boycott to start on June 15.

The decision was prompted by detentions of Black Consciousness Movement activists who were later reportedly tortured by police, he said.

Today's meeting is to be attended by Cosatu, Nactu, Azanyu, Azayo, Azasm, civic associations, commerce organisations and church representatives.

Sowetan 24/5/91

PICK 'N PAY FM 24/5/91 (30)

A NEED FOR HIGHER MARGINS

Activities: *Retails food and general merchandise.*
Control: *Raymond Ackerman (Pty).*
Chairman: *R D Ackerman; MD: H S Herman.*
Capital structure: *78,3m ords. Market capitalisation: R1,78bn.*
Share market: *Price: 2 275c. Yields: 2,5% on dividend; 4,9% on earnings; p:e ratio, 20,6; cover, 1,9. 12-month high, 2 600c; low, 1 530c. Trading volume last quarter, 978 425 shares.*

Year to Feb 28	'88	'89	'90	'91
ST debt (Rm)	—	—	—	—
LT debt (Rm)	7,0	7,0	7,0	6,1
Debt:equity ratio	—	—	—	—
Shareholders' interest	0,32	0,33	0,35	0,33
Int & leasing cover .	n/a	n/a	n/a	n/a
Return on cap (%) ..	14,5	15,6	14,8	14,5
Turnover (Rm)	3 038	3 869	4 380	5 189
Pre-int profit (Rm) ...	90,2	116,0	127,1	140,5
Pre-int margin (%) ..	2,77	2,74	2,57	2,58
Earnings (c)	67,2	86,4	105,9	110,6
Dividends (c)	32,9	40,0	52,0	57,5
Net worth (c)	258	311	383	411

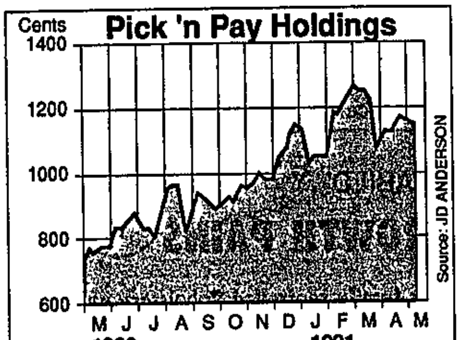
There is every indication that Pick 'n Pay has reached maturity in its growth curve and can no longer be expected to produce dynamic earnings growth while constituted as it is — unless margin is increased.

The last time the company failed to grow earnings by more than 6% was in 1986. That was the result of tough trading circumstances following the mean short-term recession when overdraft rates reached 27% and consumer demand was severely curtailed. This time the recession by itself cannot be blamed for a meagre earnings rise of 4,5%.

In current circumstances Pick 'n Pay did well to grow turnover by 18,4%. This growth comes off the huge cash-trading foundation. It is a tribute to management that trading income (ignoring investment income or interest received/paid) also recorded an 18,4% increase — especially after a much higher incidence of in-store theft.

The earnings crunch arose because, in chairman Raymond Ackerman's words: "Investments in equity-linked insurance contracts which had performed exceptionally well the previous year ... suffered a reversal." Practice — hardly a conservative one — has been to include in investment income the year-end paper profit (or loss) on these irrespective of whether it was realised.

Pick 'n Pay's Ackerman ... *must try to contain shrinkage*



In 1990 this accounted for a R4,2m, 42%, gain in investment income. In 1991 investment income plummeted by R7,2m, a fall of 52%. (If this figure is added back and a constant tax rate assumed, after-tax earnings would have shown an improvement of 9,1%.)

Because of this, it is better to examine only trading income when scrutinising the record. In the end, though, what really counts for an investor is growth of primary investment as measured by total return.

Statistics indicate some disturbing trends. Return on shareholders' interest, 51% in 1982, has dropped to 33%. A more balanced view is achieved by looking at the average return for the periods 1982-1986 and 1987-1991: 39% and 34% respectively. This is still satisfactory, but the trend is not.

In the distribution of value added, staff expenses have risen to 73% from 69% in the past three years and retained earnings have fallen to 11% from 13% of value added. Furthermore, pretax margin shows a steady deterioration, from 4% in 1982 to 2,7%.

More important is the compound growth rate of earnings over 1982-1991. It turns out at no more than 15,5% — about the same as the rate of inflation — an indication that there has been no real growth. How then does the share justify its high rating?

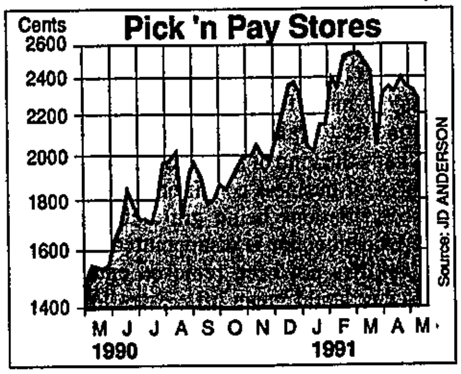
Firstly, the original image of the group as a growth stock was fully justified by an outstanding record after the first stores were opened in the late Sixties. Secondly, there was the more recent purple patch between 1986-1990, when earnings grew by an annual average of 23,6%.

Third, the quality of trading earnings can only be labelled AAA. It retails basics for cash and there is clear evidence that it does it more professionally than most direct competitors — just think of the latest figures from OK and Checkers.

There can be little doubt, however, that its juggernaut status is such that these days new store openings do not impact significantly on earnings. Everything points to a slowing in future earnings growth, though there may well be more purple patches.

Justification for investment in the share at present is therefore to be found in the quality of earnings, which will probably grow — in real terms — at about the same rate as the economy. It is a moot point whether this deserves the current rating.

There is one way out of this impasse in the short term. Margin has to be increased. Ackerman emphasises that the considerable investment in technology should boost margins. In 1991, higher shrinkage effectively eliminated this benefit. If shrinkage can be contained this year, margin should increase. Depending on the quantum, it could make a big difference to bottom-line growth and justify the rating yet again. *Gerald Hirshon*



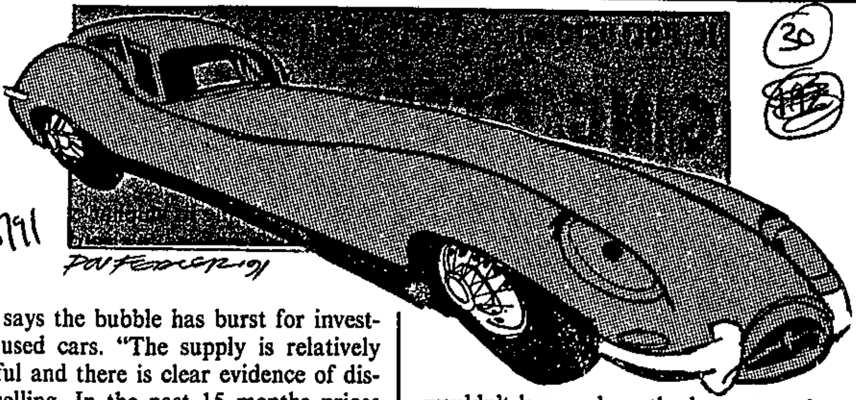
AMGOLD FM 24/5/91

GILDED CAGE

As goes the gold industry so goes Amgold, because of its range of holdings in all the SA mines worth having a stake in, like Driefontein (11% of its equity), Vaal Reefs (16,8%) and Kloof (8%). It is widely known that the industry is in the pits and Amgold's earnings are trapped along with it, but chairman Nicky Oppenheimer has some good news on tax.

Changes in the 1991 Budget will help the mines though, inevitably, not as much as they would like. Oppenheimer points out the full-credit VAT system will help greatly because it removes the indirect tax paid at present through sales tax on capital expenditure and part of working costs.

Continue →



FM 24/5/91

INVESTMENT CARS

LOSING LUSTRE

FM 24/5/91

There was a time when it was the in thing for motor buffs to drive an exotic car. Not only did they have the pleasure of taking it on Sunday spins, they could always sell it at a profit if they fell on hard times.

Not anymore. Investment used car prices have dropped 15%-20% in the past 15 months, hurting those who bought them in a seller's market and are now faced with selling them into a buyers' market.

House of Sports Cars GM Rainer Hoffmann says the bubble has burst for investment used cars. "The supply is relatively plentiful and there is clear evidence of distress selling. In the past 15 months prices have dropped by 15% to 20% on average. But Porsche prices are down by 20%-25%."

Rainer adds that demand for investment new cars, however, is still strong. The firm has buyers waiting for the two Aston Martin Virages and two Lamborghini Diablos it was allocated this year. The Aston Martins will go for R1,5m each and the Lamborghinis R1,3m.

As buyers become extremely selective, dealers are reducing prices drastically. One of 40 Ferrari 512 BBIs with right-hand steering, put on the showroom floor recently at Bloomsbury in Cape Town with a price tag of R1m, is now available for R750 000. The seller paid R1m for it.

Last week Johannesburg vehicle auctioneers Burchmore's advertised that it had sold a 1990 Jaguar XJS convertible marked at R295 000 for R250 000. The ad indicated that Burchmore's was prepared to drop the price of a 1969 Ferrari Dino 246 GT from R395 000 to R350 000; a 1976 Rolls-Royce Shadow from R165 000 to R140 000; and a 1989 Porsche 928 S-4 Gemballa by R70 000 to R525 000.

Burchmore's sales director Patrick Newman says: "We're auctioneers. The higher price is what we regarded as a reasonable opening bid. What we're saying in the advert is, that was our opening price, now we are prepared to accept this. We also thought it would ginger up the quiet market and we want to move stock because we're nearing the end of our financial year."

SA Vintage & Veteran Association chairman Brian Lawlor says: "What we're seeing is happening worldwide, and it isn't limited to investment cars. It's happening with art and veteran aeroplanes as well. The big buyers who bought for investment purposes last year aren't there anymore. At a recent European auction of vintage aeroplanes only a replica bought by a Belgian museum realised its reserve price."

Though he admits the market is in a trough, he expects it to improve when the economy picks up because many buyers still regard exotic cars as status symbols. By way of example, he notes that at a recent auction, a 1937 Derby Bentley went for R62 000 even though its engine and upholstery needed attention. A more realistic price would have been R40 000.

"The price it went for was what a collector would pay for a fully restored car," says Lawlor. "Many Porsche and Ferrari owners wouldn't know where the bonnet catches of their cars are, but drive them because they are a visual symbol of their wealth." ■

Violence puts loans at risk

CityPress 26/5/91 (30)

THE ongoing violence is placing bank loans to township businessmen at risk, according to Trust Bank chief executive John Howell.

In an interview with *City Press* Howell said the "90s will be a decade of prudence" for South African banks.

"The problems we face as a country are daunting: political strife, violence, overpopulation, poverty and an education crisis.

"For a bank this translates into increased risks. For instance, we are already seeing bad debts at unacceptably high levels in the home loans market, traditionally a relatively low risk market," he said.

Howell said banks would have to "redefine their strategies to survive" because of financial and political uncertainties.

"In future we will not be able to go ahead with any transaction without carefully evaluating all the factors."

He said that "shrinkage of the economy has left the South African market over-serviced by banks".

"This means, on the one hand, that more rationalisation in the banking industry is inevitable, and on the other that management of banks will have to work harder for their bank's survival.

"South African banks invested a great deal of money in technology during the 80s with the result that we now have a first world banking system.

"A fundamental challenge is to provide banking services to the majority of South Africans at a price that is acceptable to both customer and bank.

"Of course, if this is to happen the risk levels must be acceptable to the banks.

"We have responsibilities in addition to our normal business. Wealth creation and providing job opportunities are also are responsibility, and to achieve this with our limited resources we offer bursaries, sponsorships and grants.

"We are continually looking at expanding our own employment numbers and at ways of uplifting the lives of our staff."

30

176

strips black shops naked

C/P News 26/5/91

BLACK businesses would "stand naked like a striptease queen" for a long time unless blacks defend themselves against looting and arson.

This is the view of SAB community manager Windsor Shuenyane, who said if black-on-black violence did not stop, black business is likely to remain paralysed.

"I am in complete sympathy with black businessmen. They are at the receiving end whenever there is upheaval and violence in the community."

Shuenyane said whenever a boycott was called black business was the first to suffer because they could not get supplies and their trucks were looted or hijacked.

"People should change their attitudes towards business and should regard it as an important resource of the community which should be protected rather than harassed," he said.

Shuenyane said businesses played an important role in the black community because they provided residents with everyday commodities, provided employment and generated wealth.

"We have to help build a local economy. What we ought to do as a black community is to develop this local economy and to circulate the hard earned rands in the local community.

"My appeal to the black community is to protect the few assets we have.

"I know Soutacoc will not fail us, but they must be helped to extend their businesses. Soutacoc has the manpower – able men who have proved to be top businessmen in their respective spheres of activity."

Profits put Blackchain on the map

clip no 26/5/91.

(30)

By DERRICK LUTHAYI

THE future is looking bright for black retailer, Blackchain.

The firm has been raking in money for the past two years after nearly 10 years of trading at a loss.

In 1989 their books showed a R562 839 profit and in 1990 they became R664 570 richer through their two stores in Diepkloof and Katlehong.

Blackchain managing director Paul Gama announced this week that they have finally "turned around the corner".

"We have not yet arrived at the land of milk and honey, but we are on our way there. We are now poised to eliminate all shareholders' deficits and start paying a dividend.

"However, we are not going to declare dividends yet, because we are strengthening ourselves and our operations."

He cited the bid to buy giant chainstore Checkers (which owns 170 supermarkets countrywide), and an entry into property letting, as part of their future operations.

More details would be released to shareholders at the firm's annual general meeting next month, Gama said.

He revealed that since *City Press* broke the story last week about their intention to purchase Checkers, they had been inundated with offers of help from local and overseas financial houses. However, they would consult their European connections before making any moves.

Gama also disclosed that they recently bought the R8,5-million Blackchain Centre in Diepkloof.

The centre was the product of a 1979 joint venture by First National Bank, Nedbank, Standard Bank and Anglo American. At that time blacks were not allowed to buy property in urban areas.

He said the massive building – which housed banks, a surgery, a chemist, a boutique, supermarket, offices and speciality stores – was offered to them at a bargain price of R1-million and they were able to raise the loan from the Small Business Development Corporation.

Gama said the shareholders who founded the company a decade ago would no doubt feel encouraged and thrilled by its latest successes.

Ventersdorp pays for at

Businesses 'crippled' by boycott

30

By DAN DHLAMINI

C|Press 26/5/91

LITTLE did white farmers realise the consequences for Ventersdorp's white business community when they attacked Goedgevonden squatters early one morning two weeks ago.

A two-week boycott of white-owned businesses by the black community of Ventersdorp in retaliation for the May 11 attack has virtually crippled the local economy.

The consumer boycott – black Ventersdorp residents now do their shopping in Potchefstroom and Klerksdorp – coupled with a three-day stayaway by workers last week has left the western Transvaal town deserted.

Ventersdorp shopowners interviewed by *City Press* said that if the boycott continued for "another week" they would be forced to close down.

The atmosphere in the town is tense following the dismissal last week of the entire municipal workforce for taking part in the stayaway.

Angry Tshing township residents are demanding the immediate resignation of town clerk Salty Visser, who they accuse of having assisted in the attack by marking certain shacks with yellow paint the day before the attack.

Attempts by *City Press* to establish whether or not Visser is an AWB member, as township residents believe, have failed.

Visser refused to comment on the allegation and referred us instead to the Transvaal Provincial Administration.

Most white business owners approached by *City Press* refused to comment and some even reacted with hostility.

But an assistant at Melites General Dealers, a Mrs Koort, whose customers are mostly black, told *City Press*: "If the boycott does not end the business will have to close."

"Turnover has declined tremendously because of the boycott," she said.

At Pages Stores, blacks were window-shopping only when *City Press* visited the town. The manageress, who refused to give her name, said angrily that she "does not talk to newspapers".

The Mega Cash Store reportedly had only two customers on Thursday, a white resident, and a coloured from the nearby Toevlug coloured township.

The owner of Pespiden House said her store was "not affected" because she depended on passing trade – travellers passing through Ventersdorp.

The town's Indian traders, who have been exempted from the boycott, were cautious in their comments.

One trader, who asked to remain anonymous for "fear of reprisals" said: "Although the boycott is not aimed at us, our businesses are also affected because of the uncertainty in the township.

"Customers are afraid to buy from us and then pass through Ventersdorp to Tshing because the rightwingers may attack them and destroy their goods."

Activists and community leaders are living in fear and township youth are keeping a 24-hour watch against further attacks.

A spokesman for the Ventersdorp consumer boycott co-ordinating committee, who also did not want his name published, said the boycott is "a success".

"We will review the boycott on June 13, depending on the response of the authorities to our demands. They asked for it. They brutalised our people without provocation."

Where now? . . . a pawn in a cruel political game, this young squatter has gathered his possessions to move to safer ground after Inkatha impis massacred 28 people in Swanieville on the West Rand this month.

Pics: ANDRIES MCINEKA

Soutacoc birthday bash

Compiled and edited by Derrick Luthayi

9press 26/5/91 (30)

Leaders to speak at big conference

THE Southern Transvaal Chamber of Commerce and Industry (Soutacoc) will celebrate its 21st anniversary at the Jan Smuts Holiday Inn on May 28.

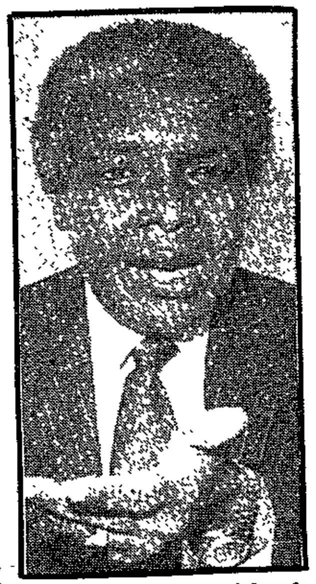
Speakers at the celebration include ANC deputy president Nelson Mandela, PAC president Clarence Makwetu, Nafcoc president Dr Sam Motsuenyane and Deputy Finance Minister TG Alant.

The conference theme is "The Road Ahead – New Strategies in Addressing Changing Legislation and Current Issues", and it will address topical issues such as sanctions, the Group Areas Act, Population Registration Act, Land Acts, VAT, Education and the planned Multi Party Conference.

Soutacoc president Joe Hlongwane, who is also Nafcoc senior vice-president, said at a press conference in Johannesburg: "This region (Soutacoc) cannot stand idly by while history is being enacted in the sub-continent."

He said although Soutacoc had been the last of all 18 regional formations of Nafcoc, it had become the most active and important.

It was formed in 1969 as an offshoot of the Transvaal Chamber of Commerce and its first president was Absolom Kumalo, an East Rand businessman who was succeeded by Philip Ramakobya of Kagiso.



Soutacoc president Joe Hlongwane . . . we cannot stand idly by.

Soutacoc's first secretary was Sy Kutumela, who also served as Nafcoc's national treasurer and is now managing director of African Business.

Other prominent business personalities who served in the Soutacoc executive include Willie McBrain Charles, Veli Kraai, J Mathebula, BO Sibeko, I Bikitsha, Kenneth Masekela, JM Mohlala, Agnes Moncho, HM Pitje, the late Pat Mbatha, the late Don Mmesi and ZZ Mashao.

A recent Soutacoc achievement was the establishment of an office in Soweto which it runs in conjuction with the Soweto Chamber of Commerce and Industry. Services provided include offering technical advice to businessmen, assisting with tax returns and secretarial services.

Nafcoc chairman Dr Sam Motsuenyane stands in front of Nafcoc's R5-million leadership centre, which is under construction.

■ See Page 2

Checkers takes a trip down memory lane

B/Day 28/5/91 (30)

CHECKERS is celebrating its 35th birthday with a nostalgic advertising campaign featuring famous SA women and scenes reminiscent of advertising decades ago.

Checkers says the campaign, by Meridian Advertising, commemorates the group's role as a pioneering retailer which has evolved to become "an integral part of the SA national fabric".

The TV, radio and print adverts reflect Checkers' history over the past 35 years. MD Sergio Martinengo says the campaign "will promote our celebration of savings which will offer consumers substantial discounts on a wide range of commodities, but the message will run far deeper than an ordinary birthday price promotion".

He says the ads will bring back warm memories for all South Africans.

The adverts feature singer Sonja Heroldt, beauty queen Vera Johns Sutherland and TV star Elwyn Morris, as well as "ordinary householders".

Meridian creative director Hugh Bush says the message is that Checkers has become very much a part of people's lives in towns and cities; that the stores are evergreen, and here to stay.

Checkers was the first retail chain to open a self-help supermarket in 1956. It introduced the trolley system to SA, and was the first group to launch an entire range of its own housebrands in the 1950s.

It also made advertising history by placing former MD Clive Weil on TV, "starting a major advertising trend which still endures".

'Mixed' selling received well by most

MULTIRACIAL adverts are received well by most South Africans, who believe they encourage people to mix and prepare for the new SA, says new Bates Wells publication A Window on Our World. (30)

However, consumers are strongly opposed to the exaggeration of mixing and "somewhat critical of the hearty friendliness reflected in so many beer commercials", it says. B|Day 28|5|91

Bates Wells MD Dave Kelly says A Window on our World is part of a research effort into black and white opinion, and it looks at attitudes towards a range of issues. Its objective is to provide to assist effective marketing in an evolving society.

The research shows urban black consumers are "quite happy" with advertisements in English, as long as the message is clear. However, blacks are divided on whether they prefer adverts to be aspirational or to show their lives as they really are.

While some feel that adverts should not paint a false picture of their lives, others feel the "negatives of reality" will turn consumers away from the product.

Hyperette hit by dive in earnings

MARCIA KLEIN 30

DCM-listed Hyperette Stores' earnings plummeted from R1,0m to R13 000 in the six months to end-January following increased pressure on margins to maintain competitive advantage and an increased provision for shrinkage.

The food chain's turnover increased by 36% to R36,0m (R26,4m), but operating profits plunged from R1,2m to R318 000. Interest almost doubled to R305 000 (R159 000), bringing profit after interest down from R1,0m to R13 000.

The preference dividend was waived, and would be provided for out of future profits, directors said. BDay 28/5/91

Earnings of 0,01c a share compare to 0,78c a share reported in January 1990.

Directors said the restructuring of Hyperette was completed. It plans to list on the JSE.

FINANCE

Pick 'n Pay records 17% rise in turnover

BDay 28/5/91 (30)

LINDA ENSOR

CAPE TOWN — Turnover at retail group Pick 'n Pay grew by about 17% in the first three months of the current financial year, chairman Raymond Ackerman told shareholders at the AGM yesterday.

He expressed confidence about year-end results despite the tough economic conditions, but not so much about the first half.

MD Hugh Herman added that performance in the second half, coming off a low base, should be good. He said Pick 'n Pay continued to gain market share and planned aggressive promotional campaigns.

"The improvement in profits will be greater than last year and in line with previous standards," Herman said.

In the year to end-February, Pick 'n Pay earned 110,6c a share — up 4,5% on the previous 105,9c a share — on an 18,4% rise in turnover to R5,2bn (R4,4bn).

Shrinkages eroded profits in the last financial year, claiming 0,9% of turnover, and Ackerman said the group aimed to get this figure down to 0,5%.

He said that the experience of overseas retail chains had shown that the costly introduction of value added products, such as convenience foods, was vital to the future of supermarkets, as consumers had demanded such goods. Pick 'n Pay aimed to increase turnover by about 5% in stores where such products were sold.

Herman said Pick 'n Pay's embryonic clothing chain was doing extremely well and generating strong turnovers. As a result, a second site was being sought in Cape Town, but only Hypermarket and two Pantry outlets would be opened this year.

In the last financial year Pick 'n Pay's investment income declined by R7m due to the poor performance of its investment in tax-free insurance contracts linked to the stock market.

Ackerman said the decision to continue with these investments was under review and other tax-free investments which were not subject to the vagaries of the market were aso under consideration.

Ackerman said Pick 'n Pay was spending between 7-8% of after-tax profits in social responsibility programmes.

He warned that the change to VAT would be used as an opportunity by some retailers to increase prices and said meetings were still being held with government for an add-on system of VAT.

● ACKERMAN

"I think government is making a severe mistake in adopting the add-in approach," Ackerman said, adding that it was more honest and credible for consumers to be able see what taxes they were paying.

The appointment of watchdog committees by government to monitor the situation would not be necessary if VAT was added on separately.

Herman said Pick 'n Pay's scanning system would allow for a smooth transition to VAT, as prices would not have to be changed. He said scanning systems would be installed at all tills by the time VAT was introduced, which would enable the group to pass on savings to customers.

He said the affect of VAT on Pick 'n Pay's cashflow would be roughly neutral.

Forward selling 'puts a floor ...

STAR 28/5/91 (30)

Answer please, Mr Mandela

AS businessmen we are particularly concerned with the uncertain economic implications of the ANC's envisaged programme for the post apartheid South Africa. Unless greater clarity is forthcoming soon, many of us will be forced to seek a more hospitable economic environment elsewhere.
Such a development would have devastating consequences for all South Africa's people – as well as for people elsewhere in Southern Africa. To avoid such a scenario, the ANC needs, once and for all, to provide acceptable answers to the following questions:

1. What degree of nationalisation in the economy is envisaged by the ANC – i.e. what exactly is the mix in the ANC's mixed economy?
2. What compensation – if any – will be paid to the owners of nationalised industries?
3. What level of company taxation is envisaged by the ANC?
4. When will the process of transition become irreversible in the ANC's view and the organisation's continued calls for sanctions become a thing of the past?
5. What future role does the ANC envisage for The Johannesburg Stock Exchange?
6. To what degree will market forces be allowed to determine prices under an ANC government?
7. Will a future ANC government continue to subsidise unprofitable economic ventures?
8. Will a future ANC government allow industrial conflict to be primarily settled between employer and employee?
9. Does the ANC envisage nationally determined minimum wage levels in all major industrial sectors?
10. How does the ANC envisage the creation of a responsible trade union movement in the country?
11. Assuming recognition of the need for renewed foreign investment in South Africa, how does the ANC envisage itself successfully convincing international investors to do so?
12. How will the ANC implement its affirmative action programme without seriously harming economic productivity and performance?
13. Will farmers who were forced to sell their land for homeland consolidation – e.g. those in the Zeerust/Marico corridor – be given the opportunity to reclaim their land?
14. The ANC often refers to the National Democratic Revolution (NDR). If the two-stage revolution remains the ultimate aim, can we as businessmen expect a socialist revolution to begin soon after the completion of stage one?
15. How will the ANC attempt to create a sufficient degree of national unity to assist the stimulation of economic growth?
16. How will the ANC protect freedom of association, assembly and expression?
17. How does the ANC plan to recivilise the "lost generation" of township youth who have become the victims of the "liberation before education" cliché?

These concerns of ours are sincere and deserve considered attention by one of the major political players in our country. We trust that your response will be in the interest of all South Africans.

Businessmen for Growth and Stability

W.D.A. Steenkamp, N Smit, C.J Barnard, D. Goss, J.W. Abrahams, B.R.S. McDougall, B.L. Summers, A.J. Scott, H.P Scott, D.J. van Vuuren (jnr), D.J. van Vuuren (snr), T. Eberhand, P.W.D. van Schalkwyk, D. Erasmus, P. Steenkamp, R. Emett, N. Jeppe, A. Gerber, P. Rousseau, B. Cronjé, G. Steyn, A.M. Troskie, H.J.P. Klopper, P. Weiss, H. Herbst, M Fourie, S. de Beer, P. Fourie, F. Mostert, M. Potgieter and J. Leonard.

Rockey Street traders slam changes

Star 28/5/91

David Sadka . . . changes are killing pearl of Johannesburg.

Francina Mogashoa . . . our customers are getting lost.

Zaira Gandhi . . . passing trade down. Pictures: Herbert Mabuza

By Louise Burgers
Municipal Reporter

30

"They are killing the pearl of Johannesburg," is how one Rockey Street trader has described the recent road changes in Yeoville.

Some traders in the trendy suburb are worried at the sudden slump in business since the Rockey Street one-way was reversed and the one-way extended to the Raleigh/Kenmere street intersection.

Now that traffic to the east has been diverted to Hunter Street, there are no cars and no customers in Rockey Street in the afternoons, say traders.

"The changes are very, very bad for business. They (the council) are making Rockey Street a highway. People come here to talk and enjoy themselves, but now, after 4 pm there is no-one on the streets. They are killing the pearl of Johannesburg," said pawn shop owner David Sadka.

"They should rather build schools with the money."

Greengrocer Steveo dos Santos said business was down by more than 50 percent.

"Really, I don't know how I am going to pay my rent and expenses. I don't know why they are doing this."

Southern Transvaal motor traders association chairman, Sydney Druckman, who owns a petrol station in the area, has experienced a 90 percent drop in the Rockey Street side of his business. "I am disgusted at the whole redevelopment operation. This is going to be the end of Rockey Street from a trading point-of-view.

"I voiced my disapproval right at the beginning and I intimated that this would affect all traders. I was assured that I must be patient and this development would be to our advantage. We are the ones losing the money now, not the developers and I would like to suggest that the thing be put back the way it was."

Shabier Chopdat said business was dead in the afternoons.

Francina Mogashoa and Esther Zwane from an African craft shop agreed. "People are getting lost here. It is unusually quieter in the afternoons — customers are phoning us to find out how to get here now," Ms Mogashoa said.

Cafe-owner Zaira Gandhi said the changes had affected passing trade in the evenings, but she hoped the increase in morning traffic would bring more business.

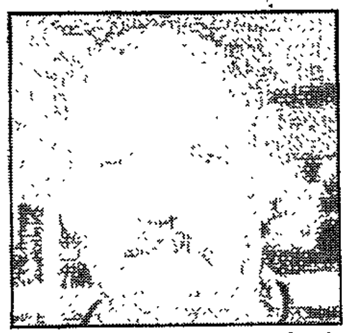
Following complaints, Yeoville councillor Martin Sweet has persuaded the traffic department to reinstate the traffic lights at the intersections of Raleigh and Bedford and Raleigh and Kenmere streets.

"Naturally there is going to be a certain amount of chaos at first and business will go down, but according to officials the changes will benefit all when it is finished," he said.

"Rejuvenation and redevelopment is essential for the area or it will degenerate into a slum."

Shabier Chopdat . . . business now dead in the afternoons.

Sydney Druckman . . . disgusted at redevelopment operation.



Steveo dos Santos . . . business down by 50 percent.

Metro rights offer to follow Premier deal

B/Day 29/5/91

(30)

MARCIA KLEIN

PREMIER Group's purchase of Metro and Score, concluded yesterday, will result in Metro raising about R142m in a rights offer to cut its borrowings.

Metro will also write off R170m, relating partly to losses from the proposed sale of Frasers, details of the acquisition published today show.

In addition, Score's holding companies Hi-Score and Score-Clicks could possibly disappear.

In terms of the deal, Premier will acquire 70% of Tradegro's 47% holding in Metro by way of exchange of shares in the ratio of one Premier share for nine Metro shares — in line with the current market prices. A similar offer will be made to Metro minority shareholders.

This will leave Premier with a 54% holding in Metro if all Metro shareholders accept the Premier offer and follow their rights. Management control of Metro is being assumed by Premier immediately.

Premier deputy CE Gordon Utian says the deal is "strategic to the SA distribution

☐ To Page 2

Metro

B/Day 29/5/91

(30)

☐ From Page 1

industry and to Premier" and it will benefit shareholders of Premier, Metro and Score.

Metro will raise about R142m in a rights issue aimed at reducing borrowings, and will acquire the entire issued share capital — 15,1-million shares — of Score Foods.

Utian says the deals will create a more focused company operating in two areas.

One will be a large wholesale distributor of food and allied products, incorporating Metro Cash and Carry, Trador and Trade Centre, and the other the merged retail supermarket operations of Score and Fairways. These will operate independently in separately listed companies.

Premier will have an approximately 54% holding in Metro and in Score depending on the outcome of the Premier offer and the Metro rights issue.

Score group CE Carlos dos Santos has been appointed CE of the cash and carry operations and Score retail operations CE Chris Burgess has been appointed CE of the merged retail operations.

Utian says the deal will unlock "a large amount of wealth". Metro's reorganisation and recapitalisation will result in it operating profitably.

The elimination of intermediate holding companies in the Score Foods group Hi-Score or Score-Clicks is being considered following the deal. This could affect Premier's shareholding in Clicks.

Negotiations for Metro to dispose of its interests in Frasers, Greenstein and Rosen to a consortium of investors have reached an advanced stage.

Utian said other minor divisions of Metro would also be disposed of to ensure focus on the core cash and carry business.

He said during an investigation of Metro, about R170m was required to be written off relating to losses from the proposed sale of Frasers.

Metro human resources director Piet Strydom said over 800 jobs should be saved by disposing of Frasers.

VERA VON LIERES reports that an SA Commercial, Catering and Allied Workers' Union (Saccawu) spokesman confirmed yesterday that the union had received notice of the withdrawal of retrenchment notices affecting more than 1 000 workers.

He said although the union was "pleased", it believed Tradegro management needed to guarantee workers' jobs in terms of the sale.

Downturn forces Focus to pass its interim dividend

Bday 29/5/91 (30)

MERVYN HARRIS

FOCUS Holdings has passed its interim dividend for the first time since its listing in August 1987, as profits of the store group were hard hit by shrinkage and the severe downturn in consumer spending.

Earnings were 0,71c a share for the six months to end-January, but no comparative figures have been provided, as the financial year-end has been changed to July.

At the same time, Focus has announced a rights issue to raise about R7,1m to fund working capital requirements. A year ago the group raised R6,3m in a rights offer to pay for acquisitions.

MD Michael Cohen said: "The group is now in a consolidation phase after having fully integrated the Cashworths and Smiley Blue acquisitions."

Starting with 14 stores at the time of its listing, Focus has now assembled a portfolio of 113 stores, 80 of which are owned by the company. The balance are on franchise.

Besides ladies' clothing, Focus also runs a men's clothing division and Mattress World, SA's largest speciality bedding firm

Cohen said the group would have a strong capital base for future growth after the rights issue.

Gearing would be reduced to about 40% after the rights issue and would help to reduce the interest bill which, at just over R1m, eroded most of the group trading profit of R1,3m on turnover of R35m in the interim period under review.

This left net attributable profit of R283 000 before interest and dividends on convertible debentures. The group's income occurs equally in its two reporting periods.

Focus shares, which fell to 15c after trading at 30c in August last year, rose 20% or 3c to 18c yesterday.

Shoprite aims at R1bn in turnover

BDay 29/5/91 (30)

LINDA ENSOR

CAPE TOWN — Shoprite's turnover, boosted by the full-year benefit of the Grand Supermarkets acquisition in August 1990, is expected to top R1,1bn (R732m) in the financial year to end-February 1992.

This was said by Christo Wiese, chairman of Shoprite's parent company, Pepkor, at a presentation on the group to members of the Investment Analysts Society at the Mount Nelson Hotel on Monday night.

He added management was determined to ensure that Shoprite's profitability "reflects a growing realisation of the potential".

In its last financial year Shoprite was plagued with stock losses, which Wiese described as emanating from the lawlessness in SA society and from widespread unemployment. The stock losses contributed to the decline in Shoprite's operating margins to 1,76% from 2,76%. Pepkor's margins fell to 8,59% (9,09%)

"Active steps have been taken to counter stock losses and top management is strengthening managerial teams and developing systems to prepare the group for the future. A programme has been launched to implement new electronic stock control systems over the next year," Wiese said.

Wiese said Pep should produce satisfactory results while newly acquired Smart Centre would improve turnover and earnings growth in the current year.

Pep International was involved in promoting exports of clothing and textiles and in setting up stores in other parts of the world, and had concluded an agency agreement with a European associate.

In the Pepkor annual report released on Monday, return on capital employed shows a rise to 49,92% compared with last year's 48,61% and the 22% of 1986. Gearing was up at 23,3% (4,5%) and earnings on ordinary shareholders' fund down to 39% (41,2%). The stock turn improved to 4,95 times from 4,41 times.

Businessmen ask Mandela for answers

Star 29/5/91

30

Staff Reporters

The group Businessmen for Growth and Stability took out an advertisement in 10 national newspapers yesterday demanding that the ANC formally set out its position on business in South Africa.

The advertisement, published under the heading "Answer Please, Mr Mandela", poses 17 questions to the ANC leadership asking for official statements on economic issues from a minimum wage to nationalisation.

The group also published an "Open letter to the ANC" on May 7, challenging its vision of the negotiations process.

According to Rob Emmet, managing director of Midrand Property and a founder member of the group, the organisation was formed earlier this year by businessmen concerned about possible economic policy under an ANC government.

Although there were no further ads in the pipeline, Mr Emmet said the group was growing rapidly and would continue to ask questions and try to get answers from the ANC on the country's economic future.

Unless these answers were forthcoming, businessmen would be forced to "seek a more hospitable climate elsewhere" with "devastating consequences for all South Africans."

● The ANC yesterday said the advertisement smacked of propaganda.

It said that while the 17 questions raised by the businessmen were of concern to all South Africans, the advertisement was not a real attempt to address the serious issues facing SA.

It noted that in the earlier advertisement, Business for Growth and Stability "raised questions in such a way as to portray the ANC as a terrorist organisation".

The ANC proposed that these businessmen should invite the organisation to meetings, consultations and briefings so that the ANC could put forward its own views.

Earlier yesterday, ANC spokesman Carl Niehaus said many of the questions would presumably have been answered by Mr Mandela at a private briefing attended by stockbrokers and investment managers in Johannesburg this week.

He said Mr Mandela's remarks had reportedly been well received by the gathering.

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version.

For written reply:

Own Affairs:

Housing Development Board: shops/shopping complexes

30

29. Mr S PACHAI asked the Minister of Housing:

(1) Whether the Housing Development Board owns any shops or shopping complexes in the Transvaal; if so, (a) how many and (b) where is each situated;

(2) whether the rentals for these shops are fully paid up; if not, (a) how much is outstanding in each case and (b) what action is being taken to recover this money;

(3) whether any of these shops or shopping complexes in the Transvaal have been sold; if so, (a) how many and (b) for how much in each case;

(4) whether any moneys are still outstanding in respect of these sales; if so, (a) how much, and (b) from whom, in each case?

D125E

The MINISTER OF HOUSING:

(1) Yes.

(a) 25 Complexes.

(b) The complexes are situated at:

Delmas
Vereeniging
Bethal
Bloemhof
Bronkhorstspruit
Carolina
Coligny
Ermelo
Kimberley (Transvaal Road)
Kimberley (Transvaal Road) offices
Kimberley (Pniel Road)
Kimberley (Pniel Road) offices
Lichtenburg
Louis Trichardt
Lydenburg
Pietersburg
Potchefstroom
Rustenburg
Swartruggens
Schweizer Reneke
Wolmaransstad
Zeerust
Pretoria Asian Bazaar (Professional Block)
Pretoria Asian Bazaar (Retail Complex)
Pretoria Asian Bazaar (Mini Complex)
Pretoria Asian Bazaar (Wholesale Complex)

(2) No.

(a) It is not possible to furnish precise details in respect of each case at this stage.

(b) The Housing Development Board has resolved that final letters of demand be issued to each tenant who is in arrear, if the arrears are not settled in full or if no acceptable arrangements are made to liquidate the arrears, then the leases will be terminated and the State Attorney will take the necessary action to recover the full arrears due to the Board.

(3) Yes.

(a) Particulars of the individual shops and shopping complexes sold are as follows:

Bethal	8
Ermelo	25
Lichtenburg	16
Louis Trichardt	43
Middelburg	47
Nylstroom	10
Piet Retief	26
Pretoria Asian Bazaar (Wholesale Complex)	16
Rustenburg	4
Schweizer Reneke	1
Standerton	46
Swartruggens	11
Ventersdorp	3
Vryburg	31
Zeerust	2

(b) Many of these shops already sold in the Transvaal were alienated by the former Department of Community Development on terms. It is therefore not possible to provide individual details at this stage.

(4) Yes.

(a) It is not possible to furnish precise details in respect of each case at this stage.

(b) Falls away.

Lenasia: business sites

30

32. Mr D K PADIACHEY asked the Minister of Housing:

(1) Whether any business sites are to be sold by public tender in the Lenasia and Lenasia South East areas; if so, (a) when and (b) what are the erf numbers of these sites;

(2) whether the Small Business Development Corporation is to be allocated any business sites in (a) Lenasia and (b) Lenasia South; if not, why not; if so, (i) when, (ii) how many and (iii) what are the erf numbers of these sites?

D135E

The MINISTER OF HOUSING:

(1) Yes.

(a) A number of sites were advertised for sale by public tender. Tenders will close on 6 June 1991 and the Housing Development Board has still to consider the acceptance or not of these tenders.

(b) The erf numbers of these sites all situated in Lenasia Ext 10 are as follows—

1. Erf 8565
2. Erf 8566
3. Erf 8567
4. Erf 8569
5. Erf 8570
6. Erf 8571
7. Erf 8622
8. Erf 8623
9. Erf 8624
10. Erf 8625
11. Erf 8626
12. Erf 8627
13. Erf 8628
14. Erf 8629
15. Erf 8630
16. Erf 8631
17. Erf 8632
18. Erf 8633
19. Erf 8635
20. Erf 8636
21. Erf 8637
22. Erf 8638
23. Erf 8639
24. Erf 8587
25. Erf 8588
26. Erf 8589
27. Erf 8590
28. Erf 8591
29. Erf 8592
30. Erf 8593
31. Erf 8594
32. Erf 8596
33. Erf 8597
34. Erf 8598
35. Erf 8599
36. Erf 8600
37. Erf 8601
38. Erf 8602
39. Erf 8603
40. Erf 8604
41. Erf 8605
42. Erf 8606
43. Erf 8607
44. Erf 8608
45. Erf 8609
46. Erf 8610

47. Erf 8611
48. Erf 8612 (30) 3'
49. Erf 8613
50. Erf 8614
51. Erf 8615
52. Erf 8616
53. Erf 8617
54. Erf 8618
55. Erf 8619
56. Erf 8620
57. Erf 8621

(2) (a) No.

(b) No. On the instructions of the Minister of Housing.

(i) Falls away.

(ii) Falls away.

(iii) Falls away.

Certain association: application for site in Lenasia

37. Mrs R EBRAHIM asked the Minister of Housing:

(1) Whether a certain association, the name of which has been furnished to the Minister's Department for the purpose of his reply, has applied for a crèche site in Lenasia since 1976; if so, (a) when and (b) what is the name of this association;

(2) whether a site has been allocated to this association; if not, why not; if so, (a) when and (b) what is the number of the stand allocated;

(3) whether any organisation or individual has applied for Stands 9582 and 9583 in Lenasia Extension 11; if so, (a) on what date, (b) what is the name of the organisation or individual concerned and (c) what was his Department's response;

(4) whether he will make a statement on the matter?

D145E

The MINISTER OF HOUSING:

(1) Yes.

(a) 11 April 1975

(b) Lenasia Muslim Association

(2) Yes.

(a) 17 May 1991

(b) Erf 6298

(3) Yes.

(a) January 1988

(b) Shree Akshar Purushottam (Swami Narayan) Satsang Mandal of South Africa.

(c) The Housing Development Board approved the sale on 20 April 1990.

(4) No.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

SA emigrants/immigrants: numbers

339. Mr P G SOAL asked the Minister of Home Affairs:

How many persons (a) emigrated from and (b) immigrated to South Africa during the period (i) 1 January 1961 to 30 June 1976, (ii) 1 July 1976 to 31 August 1985 and (iii) 1 September 1985 to 31 December 1990?

B901E

The MINISTER OF HOME AFFAIRS:

	(a)	(b)
(i)	143 196	560 680
(ii)	116 844	279 559
(iii)	45 748	55 098

These statistics only refer to new emigrants and immigrants and do not include re-emigration and re-immigration.

Consumer boycott may start next week

30

Sowetan 29/5/91

By MATHATHA TSEDU

A MEETING of community, labour and political organisations in Mahwelereng, near Potgietersrus, has resolved to embark on a consumer boycott of white shops in the town from June 15.

The meeting, convened by Azapo and attended by ANC, Cosatu, Nactu, commerce organisation and civic association, strongly condemned the random assaults on black people in town last Thursday by AWB members after the farmers march in the town.

Several people were seriously injured and many workers were allowed to go home early after news of the beatings spread around the small town.

Racist

The rightwing whites also distributed racist pamphlets stating that the whites found black people dying of diseases and walking around naked, killing each other.

They said they had found blacks starving and had developed farms to feed them.

Other rightwing whites on Saturday went about threatening to kill black people in the streets of the town, declaring that any black person found after 12 noon would be assaulted and killed.

The meeting of organisations resolved to call a community meeting on Friday to ratify the decision of the boycott, which was initiated by Azapo following the detention of BCM activists and their alleged torture by police.

The boycott is to press for the release of detainees and political prisoners, and to call for the resignation of the Government. A spokesman for the Consumer Boycott Committee formed at the meeting, Mr Tsoaledi Thobejane, said yesterday that the Friday meeting would be held at the community hall and would start at 2pm.

Pick n Pay ploughing back some of profits

Sowetan 29/5/91

(30)

MORE than R5 million a year is being channelled from Pick 'n Pay's profits into social resposibility programmes - one of the biggest contrbutions by a company, said the chairman, Mr Raymond Ackerman, at the annual meeting yesterday in Cape Town.

"If other companies did the same more than R2 billion could be raised for social upliftment and we would not need a new government to force business to be socially responbile."

Pick 'n Pays' contribution is between 6 and 7 percent of after tax profits and the contribution is likely to increase as profits improve.

Turnover is now running about 17 percent ahead of a year ago but not as high as the directors would like, said Ackerman.

He was "not madly confident" about earnings in the first half of the current year because of the depressed economy.

Managing director Hugh Herman told shareholders almost every retailing group had reported an increase in stock "shrinkage" which was largely due to the recession and state of unrest in the country. - *Sowetan Correspondent*

Milstan cuts earnings and operating margins

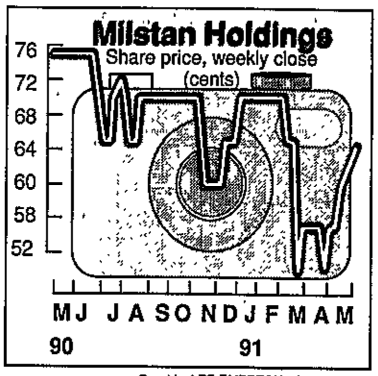
BDay 30/5/91 (30)

MARCIA KLEIN

CASH-flush photographic and electronics retailer Milstan Holdings (Milstan) reduced its operating margins in the year to end-February in line with its policy of building market share.

Milstan, which now trades only under the Stans and Miltons banners to maximise its marketing and improve its cost effectiveness, showed a 54% decline in earnings to 8,9c (19,3c previously) a share, and it more than halved its final dividend to 2,25c (5,75) a share.

The 19% increase in turnover to R129,7m (R109,1m) largely represented "organic growth and the desired gain in market share", financial director Laurence Etkind said yesterday. However, operating profit plunged 47% to R4,2m (R7,8m), reflecting a drop in operating margins from 7,1% to 3,2%.



Graphic: LEE EMERTON Source: INET

Net interest received of R29 000 (R372 000) and tax of R1,6m (R2,7m) — on a higher tax rate of 38,8% — resulted in a 54% drop in attributable profit to R2,4m (R5,3m). The full-year dividend of 4,5c (8,0c) a share was covered twice by earnings.

Etkind said Milstan remained liquid and was expanding its chain of consumer electronics stores in preparation for the economic upturn.

Milstan's financial strength made it possible to maintain its policy of aggressive marketing and expansion.

Last year it had planned to widen its customer base to serve the broad spread of consumers in SA.

Operating budgets for financial 1992 had been prepared on a conservative basis, as the timing of an upturn in the economy was uncertain. Etkind expected an improvement in operating profit for the year, and expected the tax rate to remain at about 40%.

One new store had been opened since year-end, and another two would open this year.

Dutch suitor joins Checkers queue

BIDay 30/5/91 (30)

MARCIA KLEIN

A DUTCH company with an interest in Spar International is believed to be one of the major players in the race to acquire Checkers.

Various sources said yesterday they believed a Dutch company had been interested in Checkers, which is up for sale as part of the unbundling of retail giant Tradegro, announced in March.

SA Spar Guild chairman Robin Burnill said last night he could neither confirm nor deny the speculation. He would say only he believed there were a number of parties speaking to Tradegro parent Sankorp.

A source said if the Dutch company was involved it would be good news for Checkers, as he had heard it ran other stores in Europe very efficiently.

Another source said it was unlikely Checkers, which has 168 stores, would be franchised or turned into a voluntary group such as Spar as it would be difficult to franchise such a large operation.

Spar SA is hosting a Spar International conference attended by 170 delegates from 21 countries.

Black-owned retailer Blackchain and its banking associate Le Compagnie Financière Edmond de Rothschild Banque de Paris, was still investigating the possibility of a takeover, a spokesman said yesterday, but no offer had been made.

Earlier negotiations between Tradegro parent company Sankorp and an unnamed SA-based consortium with foreign financing fell through earlier this month.

At the time Sankorp GM investments Etienne le Roux said Sankorp was talking to other parties. Sources believed most were based abroad.

Checkers, estimated to be worth at least R150m, posted a pre-tax loss of R467 000 (profit of R9m) on a 7,5% increase in sales to R1,7bn in the six months to end-December 1990.

A number of Tradegro companies have already been sold, including the Smart Centre and Frasers mine stores to Pepkor for R31m and R13m respectively, and 70% of Tradegro's interest in Metro to the Premier group. Yesterday agreement was reached for Metro to sell its wholesale company Frasers to three members of its previous management.

The proposed unbundling will see all Tradegro companies sold, with the exception of Cashbuild. The unbundling is scheduled for completion by the end of June.

Pepkor well on way to earning blue chip status

Star 30/5/91

Diagonal Street

30

ANN CROTTY

Although it has been moving steadily upwards in recent years and has in the past year outperformed the retail index, Pepkor's share price is still well below the sort of rating enjoyed by the other blue chip retailers.

At its current level of R82,50 the share is sharply up from its 12 month low of R44 and is on an historic price/earnings rating of 12,2 times and a dividend yield of 2,2 percent. This is relatively cheap viewed against some of the majors in the retail sector such as Edgars which is on a p/e of 18,6 times, Foschini on a p/e of 18,4 times, Pick 'n Pay on 21,7 and Wooltru on 19,8 times.

Analysts attribute the relatively low rating to a number of considerations — the high price of Pepkor and the fact that the share is tightly held. But more significantly they believe that the market is slow to forget the years in the mid-Eighties when earnings plummeted and the dividend had to be passed.

The collapse in earnings was due to diversification that went badly wrong for management, as well as substantial forex losses.

But since the poor performance in financial '87 management has steamed ahead with turnover surging from R867,7 million to R1,9 billion in financial '91. Over the same period earnings per share increased from 85,9c to 678,6c — despite an increase in the tax rate from 23 percent in '88 to 42 percent in '91.

Return on capital employed rose from 22 percent in '87 to a staggering 50 percent in '91.

It is difficult to fault Pepkor on any front. As chairman Christo Wiese stated at this week's presentation to the Investment Analysts' Society: "We have got to where we are today by setting and keeping our sights on being a major force in mass retailing. We dominate the sectors we serve.

"We operate within tight parameters and investment disciplines and according to a clear set of values. Our formula gives us a competitive edge. It is one we can export — in the case of Pep and Ackermans."

The current three-year plan involves the opening of 60—100 new stores each year.

The market niche that Pep serves appears to be well protected from the vagaries of economic cycles. When times are good, the higher levels of employment bring more people into the labour market who become Pep customers. When times are bad, the effects of increasing unemployment is matched by the tendency for consumers to trade down.

Longer-term the group can look forward to the benefits of applying its retail "technology" to the European market. Slow and considered moves are being made in this direction.

SOWETAN BUSINESS

Prices could fall with VAT: Pick 'n Pay

30

Sowetan 30/5/91

PICK 'n Pay chief executive Mr Raymond Ackerman said the introduction of Value Added Tax should result in a 1 percent drop in the price of non-perishable goods.

The drop would correlate with the reduction in the tax rate, from the current 13 percent rate of GST to the 12 percent VAT rate.

However, Ackerman said perishable goods, which were exempt from GST, would rise by 12 percent.

Perishable items represent 40 percent of Pick 'n Pay's sales, he said.

Ackerman also said he was "terribly worried" about how manufacturers and retailers are going to react to the changeover to VAT because he believes many will use the introduction of VAT to raise prices.

Ackerman has now launched a campaign to get the Government to adopt an "add-on" system for VAT, in which a good's marked price would not include the tax.

He said: "I'm launching a campaign for an 'add-on' and not an 'add-in' system for VAT because it will show perishables have gone up by 12 percent and all other items have come down by 1 percent.

"Customers will be able to see retailers have brought the price down."

"I'd love to have the 'add-on' system because I have a long list of items where we will be able to bring down the price. But customers will not be able to see it."

Ackerman agreed the 'add-in' system was easier for unsophisticated people because they paid the marked price. But, he said, the system "hides a number of sins" of both manufacturers and retailers.

Dutch firm to buy Checkers?

30

CT 30/5/91 Own Correspondent

JOHANNESBURG. — A Dutch company with an interest in Spar International is believed to be one of the major players in the race to acquire Checkers.

Various sources said yesterday they believed a Dutch company had been interested in Checkers, which is up for sale as part of the unbundling of retail giant Tradegro, announced in March.

SA Spar Guild chairman Robin Burnill said last night he could neither confirm nor deny the speculation. He would say only he believed there were a number of parties speaking to Tradegro parent Sankorp.

A source said if the Dutch company was involved it would be good news for Checkers, as he had heard it ran other stores in Europe very efficiently.

FM 31/5/91 (30)

DISTRIBUTION

MAKRO'S METHOD

Traditionally, the distribution chain has been segmented into neat compartments — manufacturing, wholesaling and retailing. But these terms are becoming anachronistic.

Fifty years ago a wholesaler such as W G Brown or Jaggers sold to independent grocers on credit and made the deliveries itself. There was no question of a wholesaler going around his customers and selling directly to consumers. But from the Seventies the wholesaler was replaced by the cash-and-carry, which, as the name makes clear, did not offer credit or deliveries.

The traditional wholesaler went to the wall, though W G Brown realised it could survive as a supplier to franchises, so it became the supplier for the Spar chain. Meanwhile, the cash-and-carrys have become more and more like retailers.

Makro introduced the cash-and-carry concept to SA in 1971 and today the company, under holding company Wooltru, is perhaps the least pure of the wholesalers. The Makro card, which enables customers to buy at Makro's outlets, is widely available to nontraders, as is the Trade Centre card. Only Trador and Price Club rigidly enforce the traders-only rule, because of pressure from their retailer customers.

"We see ourselves as much more than a traditional cash-and-carry," says MD Mark Lamberti. "That term implies a narrow range of commodities and a stark trading environment. But we are an intermediary in the distribution chain and the overwhelming majority of our business is either for resale or is purchases-in-bulk by companies, of catering products or stationery, for instance.

"People buy from us who also buy directly from manufacturers, and people buy from us who also buy from hypermarkets. But our shops are not designed for small-quantity convenience purchasing. Besides, forklift trucks moving pallets up and down the aisles are very unattractive to the average housewife." In nonfood items such as audio equipment and garden furniture, much of Makro's business is directly with consumers, but this will never be the main focus.

"We have a competitive edge when we can carry out certain functions in the distribution channel so efficiently that the manufacturer is prepared to delegate them to us. If Lever Brothers can deliver a bulk order to us instead of carrying out dozens of small deliveries, its costs are reduced. If a portion of this cost saving is passed on to us, and our efficiencies are such that we in turn can afford to reduce prices profitably to our traders, then we have established a role."

This game is primarily about efficiency, with sales per square metre and sales per employee the all-important considerations. Above all, wholesalers can never afford to be out of stock. Poor stocks, after poor management, is the main reason for the disastrous results of rival Metro.

Lamberti says there is little loyalty in wholesaling. Most of Makro's customers also hold the cards of the rival operations. Price is the dominant consideration, and the accessibility of the store is a close second.

A constant complaint by retailers is that wholesalers are havens of GST evasion. It is argued that the introduction of VAT in October will hit the wholesale business heavily.

Lambert ... *a cash-and-carry and more*

Lamberti's answer is simple. "The argument is based on a spurious assumption — that our customers are not paying GST." He says the image of wholesalers living off thousands of spaza stores is misleading; formal traders are still more important to their business.

"But there is great potential from the informal sector as a means of distributing into areas inaccessible to formal retailers. You only have to look at South America and the Far East to see the potential for independent traders."

Wholesalers cannot necessarily buy more cheaply than retailers — the sheer size of the major chains enable them to offer keener prices. They score because they are not required to fund the costly second leg, from the warehouse to the retail outlet. And if a consumer is prepared to venture into the impersonal environment of a hypermarket, can a wholesaler be that much worse? ■

Specialty planning new stores

Star 31/5/91

Specialty Stores achieved satisfactory growth in the past 12 months in spite of difficult trading conditions, chairman Dr Nic Labuschagne said in the annual report released yesterday.

In the past year to February 28, Specialty lifted sales by 33 per cent to R246 million and achieved an operating profit of R27,7 million, which is 24 per cent ahead of the previous year.

Earnings per share, now fully diluted by the recent rights issue, were seven percent higher at 75,1 cents a share.

The base for Christmas trading was low and with fewer store openings, the credit divisions (Milady's and The Hub) should be able to focus on further improvements in margins, as there is considerable potential in this area, according to Dr Labuschagne.

"We anticipate continuing to grow our cash divisions at a fast rate and 17 new cash retail stores are planned for the year with a view to developing a better balance between cash and credit retailing in the group."

He did however expect difficult trading conditions to continue during the first half of the financial year, with most of the growth in profitability occurring in the second half.

"We are, however, confidently budgeting for an increase in earnings in the year ahead which will no longer be distorted at the per share level by the recent rights issue." — Sapa.

Market speculates on Wooltru-Dion deal

(30)

By Maggie Rowley Star 31/5/91

A big jump in the share prices of Wooltru and Rusfurn has fuelled market speculation that Wooltru is poised to take over Dion Stores.

The Wooltru share price has jumped more 600c since May 17 to a high of R82 while Rusfurn shares have risen more than 22 percent from 90c to 110c a share after reaching a high of 120c on May 24. However, that is still well below its high of 160c in February.

Wooltru chief executive Colin Hall yesterday declined to confirm whether Wooltru had entered into negotiations with Rusfurn.

"It is pure speculation and I cannot comment," he said.

Speculation has also involved other companies in the Rusfurn stable, which includes Furniture Fair, Harmony, Montanna, Wanda, Frasers Furniture, Arrow and Giddey's.

Geoff Austin, chairman and chief executive officer of Rusfurn was not available for comment.

Rusfurn reported a five percent increase in earnings to R64,8 million at the December 1990 interim stage, partly due to the "nightmarish time" it had had with the acquisition of Furniture Fair in late 1989.

At the release of the interim results, Mr Austin said extensive discussions and investigations were taking place to restructure the group's capital base.

A 138 percent increase in interest charges to R31,7 million for the six months, he said, reflected funding needs of the debtors book, which had a gross value of R1,1 billion.

Nafcoc wants more say in big business

By Des Parker

Star 31/5/91

A black assault on the ramparts of white-dominated business is being spearheaded by the National African Federated Chambers of Commerce (Nafcoc).

Opening the annual meeting of the Inyanda Chamber of Commerce in Durban yesterday, Nafcoc president Sam Motsuenyane accused major companies of "marginalising" blacks by appointing single, token blacks to their boards of directors.

Singling out Anglo American Corporation, Barlow Rand and Southern Life as culprits, Dr Motsuenyane urged big business to "change this policy drastically" to give significant numbers of blacks the opportunity to influence the way major corporations conduct their business.

He reiterated a demand made by Nafcoc last year that blacks achieve specified levels of representations in the formal sector of the economy by the year 2000, such as the holding of 30 percent of directorships on JSE companies, a 40 percent black stake in equity of quoted companies, 50 percent of the contracted out business of white companies go to black concerns and 60 percent of managerial positions be held by blacks.

Zimbabwe had failed to take such measures, Inyanda members heard, and there had been "very little black penetration into their companies in 11 years of independent rule". A conference was to be held in that country on June 16 to consider steps to increase black involvement in business.

Dr Motsuenyane said blacks should take every opportunity to further their skills in such fields as management and he called for all education facilities to be opened to all people "without attached conditions" so that blacks could enhance their positions.

Nafcoc had a role to play in restoring peace to the country, the meeting heard, with its chambers around the country — but particularly in Natal — "serving as instruments of reconciliation for political and ethnic opponents".

"We must retain our political neutrality in this regard if we are to ensure the survival of our businesses," Dr Motsuenyane advised.

He said the black business movement should "learn to stand on its own feet again".

Nafcoc, which was formed 27 years ago, had coped without sponsorship from white business until 1976; now it risked sacrificing its leadership role among black business organisations because members had become complacent and had lost some self-reliance.

Quit or face boycott, town council told

30

Stew 31/5/91

By Dirk Nel
Northern Transvaal Bureau

The Messina Town Council has been asked to resign immediately or face a consumer boycott by Nancefield township residents in the border town tomorrow, the civic association said this week.

"We regard the council as an apartheid-appointed authority, which does not have the interests of residents at heart," a civic association spokesman said.

He claimed that water rates and service charges had soared to unacceptably high levels. A memorandum detailing these and other complaints and demanding the council's resignation had recently been handed to the Nancefield community council chairman after a protest march.

Leaflets urging residents not to support the boycott have been circulated in the township. The leaflets warn workers they will lose their jobs, saying white-owned businesses would not be able to pay wages if subjected to a consumer boycott.

Attempts to contact the mayor of Nancefield and members of his council for comment were unsuccessful, and Messina town clerk Johan Kok was said to be on leave.

However, a spokesman for the Provincial Directorate of Community Development in Pietersburg said the Nancefield council, though not planning to resign, was giving attention to the grievances of the civic association.

TELJOY FM 31\5\91 (30)

GROWTH PICKS UP

After some weak earnings increases (3% in the year to March 1990, and 5% at the September interim), Teljoy lifted earnings by 18% in financial 1991 — but only in comparison with restated 1990 figures. Teljoy accounted for a contract for the sale of 6 000 TV sets to Zimbabwe in 1990. The first 3 600 had already been delivered when Zimbabwean import regulations changed and the contract was annulled.

The annulment brought 1990 earnings down from R17,6m to R15,8m. Without this

SOME JOY

Year to March 31	**1990**	**1991**
Turnover (Rm)	116	147
Operating income (Rm)	27	32
Attributable (Rm)	16	19
Earnings (c)	27	32
Dividends (c)	13,5	13,5

Teljoy's Rutstein ... *more viewers prefer rental*

FM 31|5|91 (30)

restatement, earnings grew just 5,6%. But chairman Theo Rutstein says the sets have been recovered and will be sold in SA. He expects realising the same R1,8m to the bottom line by the end of financial 1992, on top of a budgeted real increase in earnings.

Some balance sheet numbers look uncomfortable. Gearing increased from 1,05 to 1,21, though it is down from 1,4 at half-time. Interest cover deteriorated from 3,5 to 3,2, and interest-bearing debt rose by 29%.

But Rutstein says that R54m was spent on capital items, including R38m on new TVs and VCRs and R11,6m on the acquisition of Telerama Rediffusion, to expand the business systems subsidiary. He expects gearing to fall below 80% by the next year-end.

Rutstein says viewers increasingly prefer rental to ownership of TV sets. Unlike HP, rental requires no deposit and this has been a selling point for the group. Developments in TV technology could soon make existing sets obsolete, and Rutstein believes this would create new opportunities.

Teljoy remains the dominant company in TV rental. Group turnover is 26% up on the restated figures, and still 22% better than last year's published figures. Growth has not tapered off, despite the entry of Tedelex's Empisal into the market in the 1990 year.

Though Teljoy still derives 80% of sales and income from TV and VCR rental, Rutstein says new growth opportunities will derive from the business services division, which installs video camera security in offices, hotels and casinos, and he expects opportunities to arise from educational TV.

Teljoy is quoted at 220c, a p:e of 6,8. The results have had no material effect on the price. It is trading below average for the retail sector but at a higher multiple than most competitors — the furniture companies that actually sell TVs. The dividend was pegged at 13,5c, giving a yield of 6,1%. Dividend cover was raised from two to 2,4.

If interest rates come off, the TV purchase market could pick up at Teljoy's expense — but the group will be more than compensated by the consequently increased interest cover.

Stephen Cranston

respect of the alienation. One does not need that link road for that commercial and industrial development.

The MINISTER OF HOUSING: Mr Chairman, that road is a necessity. I want to compliment everybody, including the City Engineer's department, who assisted us in getting that road off the mark. Other people struggled to do so for 10 years. A road will serve some people and not serve others. Those whom it does not serve must take it for granted that the road is being located in the right place. It is being located in the right place and I want hon members to go and have a look at it. The hon member for Cavendish, the hon member for Mariannhill and other hon members from that area could guide them and show it to them.

We have subsidised housing in Lotus Gardens. We are subsidising land development in Copesville. The people of Shallcross were put there by the Department of Community Development.

The LEADER OF THE OFFICIAL OPPOSITION: But who has a finger in that commercial development?

The CHAIRMAN OF THE HOUSE: Order! The hon the Minister may proceed.

The MINISTER: Not me! The hon the Leader of the Official Opposition must not judge everybody by his own standards. [Interjections.]

The CHAIRMAN OF THE HOUSE: Order! I am not going to permit a slanging match across the floor. [Interjections.] Order! The hon the Leader of the Official Opposition must contain himself. [Interjections.]

The LEADER OF THE OFFICIAL OPPOSITION: I crave your indulgence, Mr Chairman. Aspersions have been cast on me.

The CHAIRMAN OF THE HOUSE: Order! The hon the Leader of the Official Opposition must find some other opportunity to respond to that. The hon the Minister may proceed.

The MINISTER: I am trying to explain to the best of my ability what has been done. The road is a necessity. The Durban City Council is assisting in order to arrive at the cost. Our consultants will work out the cost and apportion the costs between the Durban City Council and the Development and Services Board.

Mr M RAJAB: They agreed.

The MINISTER: They are waiting for those figures.

The LEADER OF THE OFFICIAL OPPOSITION: No, they refused.

The MINISTER: The Development and Services Board has agreed. I do not know why the hon the Leader of the Official Opposition is so negative. Why is he negative? Is it to benefit . . . [Interjections.]

The LEADER OF THE OFFICIAL OPPOSITION: Because you've got a vested interest!

The MINISTER: I do not! He failed and his failure is now evident.

The LEADER OF THE OFFICIAL OPPOSITION: This is a scandal!

The MINISTER: What can be done? I will take the hon the leader to Shallcross and show him what can be done. As far as I am concerned, I take full responsibility for that road.

The CHAIRMAN OF THE HOUSE: Order! I regret that the time permitted for this interpellation has expired.

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Own Affairs: 30

Certain person: allocation of business site

*1. Mr D K PADIACHEY asked the Minister of Housing:

Whether a business site in Lenasia South Extension 1 was allocated to a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply; if not, why not; if so, what (a) are the relevant details and (b) is the name of this person?

D182E

The MINISTER OF HOUSING:

No.

The possible allocation is still under consideration.

(a) Falls away.

(b) Falls away. 30

The LEADER OF THE OFFICIAL OPPOSITION: Mr Chairman, arising out of the reply of the hon the Minister, would he inform the House as to whether a standard procedure is applied in respect of identifying resettlement cases and allocating business sites in respect of resettlement cases?

The MINISTER OF HOUSING: Mr Chairman, I do not know whether the hon the Leader of the Official Opposition is referring to the cases in the Transvaal for which we are trying to make land available from an industrial estate that has been established. No sooner were some applications under consideration, than we learnt there were many people who were interested in acquiring land and who had lodged applications with our Department. As a result of that the Department has put out an advert calling for tenders from people so that they could be adjudicated, because the number of sites is not sufficient to satisfy all the applications that have been made. This particular one has been sent to the Housing Development Board for consideration.

Mr D K PADIACHEY: Mr Chairman, further arising out of the hon the Minister's reply, would he tell us whether land will be set aside for the backyard traders in the Lenasia area?

The MINISTER: Mr Chairman, the backyard traders are not really considered to be traders. A man who is doing panelbeating in his backyard is an informal businessman, but he is not a trader in the sense that he is selling goods over the counter. I get the impression that there is a large number of these people looking for land on which they can settle themselves and do business, and we are now carrying out an investigation to see whether we will be able to set out a larger number of stands, because rather than allowing people to squat and create problems for us, we should make stands available to these people. If we have the required number, the manner in which we can distribute them will be more acceptable to our hon friend from Central Rand.

Mr D K PADIACHEY: Mr Chairman, further arising out of the hon the Minister's reply, will he also acknowledge that the tender system is not in the interests of the small businessman?

The MINISTER: Mr Chairman, it is not a matter of what I think. That is the manner in which the State applies the rules, and one has to abide by that. However, as I have said, I am sympathetic to the representations that have been made by the hon member for Central Rand.

Mrs R EBRAHIM: Mr Chairman, further arising out of the hon the Minister's reply, may I ask him how he intends handling the application of T N Day Care Centre for a crèche site in Lenasia?

The DEPUTY MINISTER OF HOUSING: Mr Chairman, we are in touch with T N Day Care Centre, negotiations are taking place and we are expecting an amicable settlement in respect of this whole issue.

For written reply:

General Affairs:

N2 North/Quary/Inanda Road intersection: traffic problems

15. Mr K PANDAY asked the Minister of Transport:

(1) Whether traffic problems are being experienced at the intersection formed by the N2 North, Quarry Road and Inanda Road in Durban; if so,

(2) whether it is the intention to take steps to alleviate these problems; if not, why not; if so, (a) what steps and (b) when;

(3) whether he will make a statement on the matter?

D163E

The MINISTER OF TRANSPORT:

(1) Yes.

(2) Yes.

(a) The possibility to provide left and right turn lanes, the widening of the ramps and the changing of traffic

Major boost for small businesses

CT 13/6/91

By LESLEY LAMBERT

THE R75m allocated in the Budget to the Small Business Development Corporation (SBDC) would be invested in job creation programmes and projects to expand its activities, Trade and Industry Minister Org Marais said yesterday.

Speaking in the Supplementary Budget debate in Parliament, Marais said R50m of the R75m would be channelled into new small businesses and training schemes aimed at creating new jobs.

A further R20m would be invested in the development of pioneer projects and the remaining R5m would be spent on technological developments, said Marais.

Introducing the debate, Finance Minister Barend du Plessis announced that the R220m allocated in the Budget for special aid programmes would be included in the contingency reserve for 1991/92 until government had finalised the most effective means of managing the various programmes.

This would increase the contingency reserve to R1,4bn.

A supplementary amount of R1,2bn was voted, including R505m for social pensions, R160m for black education, R90m for housing infrastructure and R100m for development aid in the self-governing areas.

The House of Representatives was allocated an additional R150m and the House of Delegates an extra R75m.

Foreign Affairs Minister Pik Botha gave the assurance that additional funds appropriated to the TBVC states for social welfare services would not be spent on civil servants.

Call on business to assist entrepreneurs (30)

By AUDREY D'ANGELO

COMPANIES who want to encourage black entrepreneurs should set up a revolving fund from which low-interest loans can be made, suggests business consultant Tshepo Ndala.

He joined Anglovaal in 1986 to run Kaiprop Industrial Park, a small business development project in Katlehong, and says one of the greatest difficulties entrepreneurs face is raising the finance to start up.

"A small business person often lacks the collateral to obtain finance. The banks will not lend without security. And there are so many needing help that the Small Business Development Corporation cannot deal with them all."

There are 48 businesses in Kaiprop Industrial Park, where about 700 people are now employed.

Ndala pays daily visits to each business and teaches basic management skills, simple bookkeeping systems, costing and marketing to proprietors who started up in their backyards and are making the transition to the formal sector.

He finds most under-charge, failing to allow for costs such as labour or transport when quoting for a job.

Many have no idea how to market their products. Ndala teaches them by example, going with them to visit prospective clients and doing the talking.

The population of the park changes. About 20% of the businesses fail. Some of the other 60% become so successful that they have to move out to premises in a better situation.

"Some are supplying very large companies," said Ndala.

"Their customers are predominantly white and do not want to come to Katlehong."

15/6/91

Tshepo Ndala, who runs a small business park in Katlehong, helps black entrepreneurs to succeed in the formal sector. He was in Cape Town this week as a guest of the Wine Foundation. Picture: ALAN TAYLOR

Women step up in ANC

(30)

C/Press 30/6/91

30/6/91

MANY South African women will be watching the ANC's national conference with keen interest next week.

For months the ANC Women's League has been publicising its commitment to ensuring that women are adequately represented on the new executive.

Now, all the ANC's regions have agreed that 30 percent of those elected onto the national executive committee (NEC) should be women.

Presently, only three of the thirty-five NEC members are women. They are religious head Ruth Mompati, Women's League president Gertrude Shope and Umkhonto we Sizwe (MK) communications chief Jackie Molefe.

The new executive has been extended to 90. Fifty must be elected, so 15 women will have to be chosen.

Those nominated for the posts include Albertinah Sisulu, Ivy Matsepe, Hilda Ndundi, Barbara Masekela, Barbara Hogan, Linda Zama, Frene Ginwala, Baleka Kgositsile, Lindiwe Mabuza, Thenjiwe Mthintso, Ivy Ndundi and Cheryl Carolus. Winnie Mandela, despite the controversy surrounding her, has also picked up several nominations.

The women elected in July will ensure women participate in the negotiation process.

So far, negotiations have been largely an all-male affair.

With the exception of the two women included in the delegation which met the government at Groote Schuur last year, and the recent all-women delegation which met the State President on the issue of the release of political prisoners, women have not featured around the negotiating table.

Despite the ANC's stated commitment to gender equality, it will be the forging of non-sexism in practice that will be the ultimate test. – AIA

Boycott to hit Potgietersrus

(30)

RESIDENTS of Mahwelereng decided on Friday to launch a consumer boycott of white and Indian-owned shops in Potgietersrus on June 15.

The decision was taken at a public meeting called by the Consumer Boycott Committee, a body representing various political, labour, civic and business organisations. Sowetan 3/6/91

All shops in the town will be targets of the boycott, which was first proposed by Azapo following the widespread detention of Black Consciousness Movement activists.

Some of the detainees were allegedly tortured by police. The detainees are Cornelius Kekana, Anthony Alexander Palagangwe, Sammy Maluleke, Haonale Phunthi Mothoahae and Moruti Maake.

The meeting called for, among other things, the unconditional release of political prisoners, the unconditional return of exiles, the resignation of the Government, a halt to the harassment of trade unionists and better wages for workers.

Two cars belonging to white companies were burned in Mahwelereng last week.

Boycott follows march ban

By MONWABISI NOMADOLO

C/P news 23/6/91 (30)

A BOYCOTT of Rustenburg's white-owned businesses has been launched following a refusal by the Conservative Party-controlled town council to allow a protest march last Saturday.

The march was planned in accordance with a call by the ANC, SACP and Cosatu for nationwide marches to protest at the "ongoing violence and to demand more jobs".

A memorandum was to have been handed in to the local police station at the end of a march through the town centre.

The decision to embark on the boycott was taken by a march co-ordinating committee after three hours of consultation with police failed to get the ban lifted.

In a letter dated June 12, town clerk K De Beer wrote to the local branch of the ANC Youth League, informing it the "application to hold a peaceful protest march in Rustenburg on June 15, has been refused by the town council".

No reasons were given.

The town's streets were deserted by the end of the week, the ANC Rustenburg-branch reported this week.

Osborn Ratladi, a NUM official, said the boycott was "not effective for the first three days since it officially began on Monday, because of the time taken to inform the people".

"But now the boycott is beginning to bite".

Tembisa suspends consumer boycott

Sowetan 6/6/91. (30)

THE Tembisa Residents Association yesterday suspended a month-long consumer boycott because it had achieved its goal of forcing the council to restore electricity to the township.

TRA president Mr Amon Msane said, however, the switch-on had been partial and called for electricity to be restored to the whole area.

But the Tembisa Council has once again threatened to cut power on June 11 unless residents paid up by June 10.

Meanwhile, council employees had by yesterday still not been paid their salaries. The council says its funds are depleted.

TRA general secretary Mr George Bila said all employees were now on strike and a protest march in Tembisa was due to be held yesterday afternoon.

Municipal Employees Association general secretary Mr Lein Claasens denied white employees were on strike but confirmed they had not been paid. - *Sapa.*

Deadlock looming over boycott talks

Sowetan 27/6/91

(30)

THE credentials of the Pietersburg Consumer Boycott Committee came under scrutiny this week as organised commerce in the town again called for talks over the proposed boycott, due to begin on July 1.

Afrikaanse Sakekamer chairman Ben de Jager said it was difficult to negotiate with "a faceless group of people."

Frank Greyling of the Chamber of Commerce in turn confirmed that a further written request for talks had been sent to the boycott committee, via the ANC.

This channel had been used on previous occasions and a standing agreement had been reached that there would be discussions between the respective parties before any future boycott actions.

In terms of this agreement, meetings to discuss the boycott had been set up for June 20 and 21, but the boycott committee had not responded.

A Press statement this week from the boycott committee denied all knowledge of the approaches from business leaders, saying the relationship between the ANC and organised commerce had nothing to do with the committee.

Other Press statements issued by the committee provided no address or phone number and a spokesman who phoned ~~preferred~~ to remain anonymous.

Some businessmen in Pietersburg believe the committee members will never disclose their identity for fear of claims being instituted against them for losses suffered in the event of a boycott.

The committee claims to represent the ANC, Azapo, PAC, Cosatu, Nactu and five other organisations and refuted a newspaper report which said the committee comprised of only three people.

Meanwhile, a Pietersburg attorney representing businesses in the town has been accused by the committee of threatening organisations and individuals with legal action if the boycott is not called off.

He said his clients reserved the right to go to court if the boycott committee refused to negotiate and said he had informed the committee accordingly.

In response, members of Azapo, Numsa and other organisations had disclaimed responsibility for organising the boycott, he said.

"It is clear there is no solidarity on the boycott issue," the attorney claimed.

However, the committee is determined to go through with the boycott, saying, "we have the support of almost all progressive formations around Pietersburg." - *Sowetan Correspondent*

THE DAILY TRUCK PILE-UP

Distribution is a chronic headache for the major supermarkets. Each day delivery trucks pile up behind most stores, vying with each other to unload their goods in the confusion. The inefficiency raises prices, makes it more difficult to keep shelves fully stocked, and increases the opportunity for theft. And there's no end to the traffic jam in sight.

Amazingly, most supermarkets are served by individual deliveries from individual manufacturers. But the obvious answer, central warehouses set up by supermarket chains or third parties, is not so simple.

"There are a lot of vested interests involved in distribution," says Checkers MD Sergio Martinengo. "Manufacturers have set up their own distribution systems at great expense, particularly in the cold chain distribution for frozen foods, and cannot just dismantle them."

Says John Christie, chairman of independent distributors Cape Display: "Anybody trying to enter the distribution business now ought to have their head examined. To set up a national distribution network comparable to ours would cost between R10m and R15m, and the skills in the industry are hard to come by. So I certainly sympathise with those retailers who would rather stick to shopkeeping than meddle in another discipline. We certainly do not intend to try to be retailers or manufacturers."

Checkers tried central distribution five years ago with its City Deep warehouse, but it lost so much money that the warehouse was closed within a year. Martinengo says the chain put the cart before the horse; it tried to introduce central warehousing before the computer and administration systems were fully up and running.

So traffic backups continue. "Back doors are characterised by long queues of vehicles, each delivering totally uneconomic quantities of goods," says Jeremy Hele of the Grocery Manufacturers' Association.

He points out that there are 400 food manufacturers and 300 toiletry and soap manufacturers that make their own deliveries or use third parties.

Manufacturers of bulky products such as flour, dog foods, soft drinks and paper products also usually do their own deliveries. The result: supermarkets receive 20 deliveries a day while a hypermarket receives as many as 80 a day.

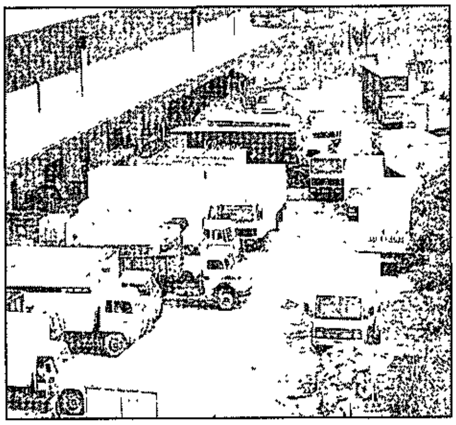
"Retailers cannot afford to lose sales by being out of stock," Hele says, "but both space and capital considerations move them to keep inventory as low as possible. Ordering is a delicate balancing act and retailers place a high number of orders for small quantities of stock." This means that the average truck will be loaded at just 38% of capacity.

At a distribution conference last year, Pick 'n Pay's Peter Dodson outlined the key problems:

- The inability to schedule deliveries, so that vehicles must wait if an unloading area is backed up;
- The diversity of vehicle sizes and the lack of standardisation in the equipment used for unloading. Most loading and unloading is still done by hand, rather than by mechanised materials-handling equipment; and
- The inadequate receiving areas at many stores — some are little more than holes in the walls.

Beavon

Martinengo



Central warehouses ... *keeping traffic jams away from the stores*

With all the problems of the current system, the pressure to move towards central warehousing continues to grow, despite the bad experiences of Checkers and others. Joe Rule of Unitrans, a major third-party distributor, says the benefits would be immense. "It will be possible to supply full truck loads of maximum size and eliminate multiple drops. Backdoor congestion will largely be eliminated."

The trend overseas has been towards retailers controlling their own distribution. In the US it would be unthinkable for a manufacturer to deliver to individual stores. In Germany, manufacturers deliver to five central distributors, who then deliver to 27 dedicated distributors, who deliver to about 100 stores each.

The Shoprite and Spar chains have worked on central warehousing since inception and it has brought them enviable efficiencies.

Spar's Brian Beavon says central warehousing makes each store's job much easier. "We can concentrate on buying and on supplying our stores, and they can concentrate on the customer. We were once a lone voice, but I see that everyone is moving in that direction." Spar now operates four central warehouses, one each in the Cape and Natal and two in the Transvaal, and the company is spending R30m on a fifth distribution centre, also in the Transvaal.

OK Bazaars also has set up its own central warehouses, though Hele says they have had quite a few teething problems. The major cause was poor communication with suppliers, resulting in some boycotts at first.

The dominant system, however, is still direct store delivery, used at Pick 'n Pay, Checkers, Score and much of OK.

Pick 'n Pay has invested in cold chain distribution for its fruit and vegetables, but it uses warehouses solely for strategic buying, usually of less expensive imports used to put pressure on manufacturers.

In the short term, the chain is looking at other ways to alleviate the traffic pile-up. For instance, preferential treatment could be given to a third-party truck that delivers a full load over one that delivers one supplier's partial load.

And charges could be restructured to encourage fewer deliveries. Says Hele: "A container load ordered three weeks in advance from the factory must obviously cost less than five cases delivered after a frantic midnight phone call."

Rationalisation also will streamline deliveries. There has already been considerable rationalisation of perishable distribution, now in the hands of six or seven distributors.

Christie says that in future, deliveries should take place at night and on weekends — common practice in Europe. "I have 24 trucks, which are locked up from Friday afternoon until Monday morning. Imagine locking up five jumbo jets and not being able to use them for the whole weekend. When the store is shut, merchandise delivered could be put on the shelves immediately, enabling the chain to turn its storerooms into productive floor space."

Rule estimates that even if half the supermarkets allowed deliveries over a longer period each week, the productivity of his trucks would nearly double.

For now, both Checkers and Pick 'n Pay believe that distribution should be left to the distributor. The two food retailing giants have indicated that in the short term they will work towards improving the current delivery system and, in the long term, look at third-party warehousing.

Both believe that sticking to the knitting is the best policy.

CLICKS

FM 21\6\91 (30)

STILL CONFIDENT ON EARNINGS

Activities: *Retails toiletries, cosmetics, gifts.*
Control: *Score-Clicks holds just over 50%.*
Chairman: *C S dos Santos. MD: T C Honneysett.*
Capital structure: *20m ords. Market capitalisation: R36m.*
Share market: *Price: 1 800c. Yields: 2,4% on dividend; 5,7c on earnings; p:e ratio, 17,6; cover, 2,4. 12-month high, 1 900c; low, 925c. Trading volume last quarter, 58 000 shares.*

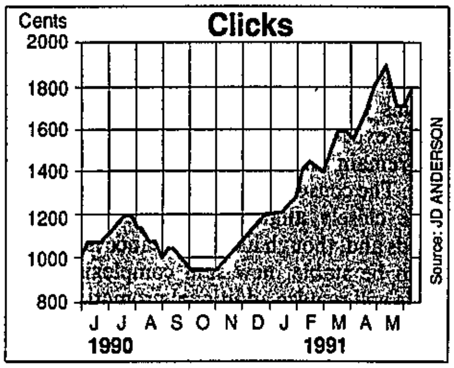
Year to Feb	'88	*'89	'90	'91
ST debt (Rm)	nil	nil	nil	nil
LT debt (Rm)	nil	nil	nil	nil
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,41	0,42	0,41	0,40
Int & leasing cover	n/a	51	130	63
Return on cap (%)	21,0	17,8	23,4	21,2
Turnover (Rm)	282	246	426	552
Pre-int profit (Rm)	21,0	20,0	32,7	41,4
Pre-int margin (%)	7,4	8,1	7,7	7,5
Earnings (c)	56,0	49,1	81,8	102,3
Dividends (c)	27	21	34	43
Net worth (c)	203	236	283	330

* 8 months trading.

Not many managers of industrial groups can confidently say just now that they are expecting another good year. That is how Clicks CE Trevor Honneysett answered a question about earnings for the 1992 financial year — though his forecast carries the proviso that operating expenses and, particularly, shrinkage are kept under control.

Honneysett's problem, he says, is not how to maintain sales growth. That, he contends, is simply a by-product of marketing expertise, which Clicks is demonstrating daily to consumers. He is convinced that the group's promise — "you pay less at Clicks" — together with the range of 10 000 items stocked in each store, is bringing a growing number of customers into these outlets. Turnover rose by 29,5% in the 1991 year.

Given the present inflation rate, the real problem is to maintain the growth at the bottom line. Had it not been for the increased cost of borrowings (this absorbed 1,5% of pre-interest profit compared with less than 1% last year), EPS would have risen in line with turnover. Instead, earnings increased by a quarter.



Clicks' Honneysett ... *investing in technology*

Higher finance costs are to be expected as heavy capital expenditure — in addition to that budgeted for new store openings — is incurred for the installation of hi-tech information systems for Clicks and Diskom.

The group needs to generate enough cash flow from the investment in systems to finance the remainder of the programme without dampening profitability. However, the payback will remain negative until economies of scale are developed.

Cash flow was negative (R3,7m) at the end of last year. This was partly because jewellery concessionaires in the stores were bought out, while the costs of setting up point-of-sale equipment in the stores, as well as additions to merchandise, also involved considerable expenditure. This, in turn, partly accounted for the 56% jump in stock and the marginal decline in stockturn, to 4,1.

It's expected that this trend will be halted as the information flow from the new system improves. Management believes the group will then be able to fine-tune stock holdings, improve stockturn and minimise the cost of holding inventories.

After opening 15 new stores, Clicks ended the year trading through 116 outlets. Diskom opened 16 new stores, bringing the total to 49. (Because the typical Diskom store stocks 5 000 items, it enjoys a higher stock turn than Clicks.)

Honneysett says management regards return on equity (ROE) as the prime indicator of the group's success. ROE moved from 21% in 1989 to 29% in 1990, and 31% last year. Also being emphasised is the ratio of sales to total assets, rather than just the trading margin. The decline in the margin over the past two years is the only indicator that gives rise to concern, but it's hoped this will change as information flows improve.

Clicks will certainly deserve to be considered recession-proof if it repeats the 1991 EPS growth this year. Honneysett says he is satisfied with sales so far, and believes EPS should improve by 20%-25%. At this stage there seems little reason to doubt this. The share deserves its high rating and remains a buy, provided the market holds up.

Gerald Hirshon

NAMSEA/NAMFISH FM 21/6/91

GROUND FLOOR?

NAMSEA

Activities: *Pelagic and rock lobster fishing and processing in Namibia.*
Control: *Arun Holdings 73% — ultimate holding co: Namnor As.*
Chairman: *L A Eloy.*
Capital structure: *4,2m ords. Market capitalisation: R14m.*
Share market: *Price: 325c. Yields: nil% on dividend; 20% on earnings; p:e ratio, 4,9; cover, n/a. 12-month high, 550c; low, 425c. Trading volume last quarter, nil shares.*

Year to Dec	'87	'88	'89	†'90
ST debt (Rm)	—	3,4	0,9	—
LT debt (Rm)	—	2,3	—	0,3
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,67	0,55	0,68	0,79
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	31	50	49	34
Turnover (Rm)	20	14	8	17
Pre-int profit (Rm)	10,3	13,6	8,9	4,2
Pre-int margin (%)	43,8	96	154	21
Earnings (c)	172	230	164	67
Dividends (c)	160	200	156*	—
Net worth (c)	408	333	267	205

† 1990 trading period 15 months — year end changed from September 30.
* Excludes special dividend of 55c (1988: 20c).

When the Norwegian consortium led by Peter Kuttel bought control of Namibian Sea Products (Namsea) from Oceana last year, nobody was under any illusions about the difficulties it would face in the short term. The appeal lay in the long-term prospects of fishing the once abundantly rich Namibian waters.

Namsea's 1990 results are poor and unlikely to improve through 1991. For similar reasons, the same applies to Namibian Fishing Industries (Namfish), which the consortium also controls.

The consortium bought into Namibian fishing following the disenchantment and insecurity suffered by the three major fishing groups that withdrew from Namibian pelagic and rock lobster fisheries. Fedfood-controlled Marine Products sold its Walvis

Continue ->

Maties' project aims to boost Third World business

(30) ARG 27/6/91

By HANS-PETER BAKKER
Education Reporter

STELLENBOSCH University has launched a project to develop the business and organisational skills of emerging Third World entrepreneurs.

Project Ethos involves training and development, research and a bursary scheme.

Professor Tobie de Coning of the university's business school said Project Ethos would not generate income but would help the university fulfil its social responsibility to the South African community.

The university will pay direct costs, but funding is essentially dependent on sponsorship.

The training and developing programmes include one intended to introduce Cape Flats children to the concept of entrepreneurship. Competitions will be used to help children generate business ideas.

Project Ethos also offers a programme to enhance the business English of informal sector traders in Cape Town, and to train prospective instructors of business English from all over the country.

Project Ethos runs a two-week "Business Ethos" programme which aims to enhance the general organisational skills of students in a "non confrontational" way, says Professor De Coning.

Last week the first group to complete the Business Ethos programme received their certificates. They included assassinated top ANC man Mr "Pro" Jack, and representatives of community and political organisations.

At the certificate ceremony, Mr Sam Montsi, trustee of the Southern Foundation which sponsored the group, called on big business to move fast in incorporating all races in management and professional positions.

"In the rest of Africa untrained and ill-experienced persons were put into positions of power and influence in companies and parastatals because politicians wanted to have their own kind in those positions," he said.

He warned blacks against an "overemphasis on special treatment and consideration because they happen to be black".

BUSINESS

All aboard the food price express

wlmail 14/6 – 20/6/91.

30

Vhat, or who, is behind persistently high food prices? Are the farmers, food processors, or retailers the cause?

REG RUMNEY reports

TRYING to find out who is responsible for persistent food price inflation is like being a detective in a whodunnit. Clues abound, all the participants are suspects, and everyone blames everyone else.

...st look at the problem.

...e inflation rate, as measured by the consu... price index (CPI), for food last year was 16 ...ent, two percentage points higher than the ...ral inflation rate of 14 percent.

...is noted by the most recent Boland Bank re...: "Average food price increases stubbornly ...ained above the average rate of CPI inflation ...the greater part of the past 12 months. A ...-on-year increase of 15,7 percent in food ...es was registered for the first quarter of ...1."

...lso, food price increases at the consumer lev... the CPI) have outpaced food price increases ...the producer level (as measured by the producer price index, or PPI).

"The CPI has exceeded the PPI for the past five-and-a-half years non-stop," says Econometrix head Azar Jammine. And the gap has widened in the past year, he adds.

The three most important subindices or parts of the inflation rate (as measured by the Central Statistical Services CPI) are food at 22 percent, housing at 21 percent, and transport at 17 percent.

Stubbornly high food prices underline the difficulty of combating inflation.

So who's to blame?

One could easily point one's fingers to the many control boards which by definition protect the interests of the farmer rather than the consumer and distorted the market through, for example, the "one-channel marketing system". With maize this dictates that maize must be sold through the Maize Board at prices determined by the board.

South African Agricultural Union (SAAU) economist Koos du Toit admits that in the past prices rocketed "from time to time" by say 25 or 28 percent, for example wheat and maize.

"Fortunately, we have progressed away from fixed price methods and are increasingly taking cognisance of the facts of the market."

The government has stopped short of actually scrapping the control boards, however. In the past they along with other power concentrations would seem to have been responsible for remarkable price surges.

But the SAAU has launched an investigation into the widening gap between producer and consumer prices. Du Toit says farmers' share of the consumer rand has shrunk steadily over the past two decades, with farmers getting as little as three percent of the consumer price for their products

If the farmers are not (entirely) responsible for high food prices, are food processors taking advantage of cartels, monopolies, and financial muscle to put up prices?

Jammine, who believes there is something fundamentally wrong in the food business, points out there is such a high degree of concentration one cannot even be sure there is collusion by the big producers. Three producers supply more than 75 percent of the market for quite a few products, for example mealie meal.

The chain stores which dominate the retail market have long contended that they compete fiercely for the consumer's rand, and that their suppliers are responsible for inflation.

However, a look at some statistical information *seems* to show they are responsible for keeping food prices high.

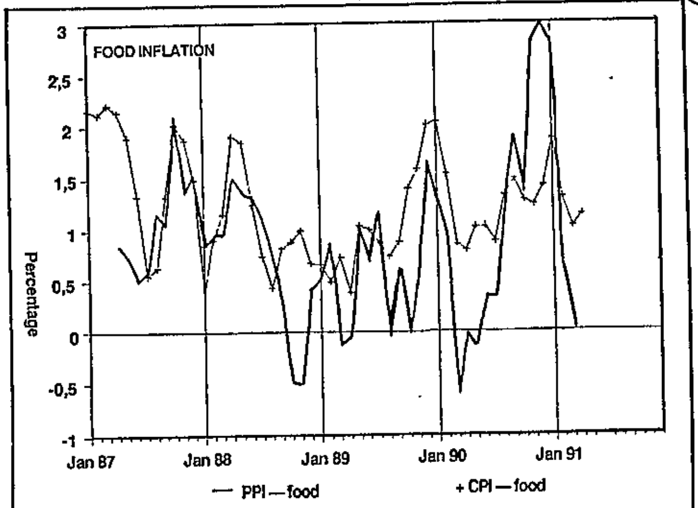
Food prices as measured by the CPI, ie at retail level, seem to be unresponsive to downward pressure on producers. Simply put, that producers getting a lower rate of increase for their food products isn't being translated into the price the consumer pays for food.

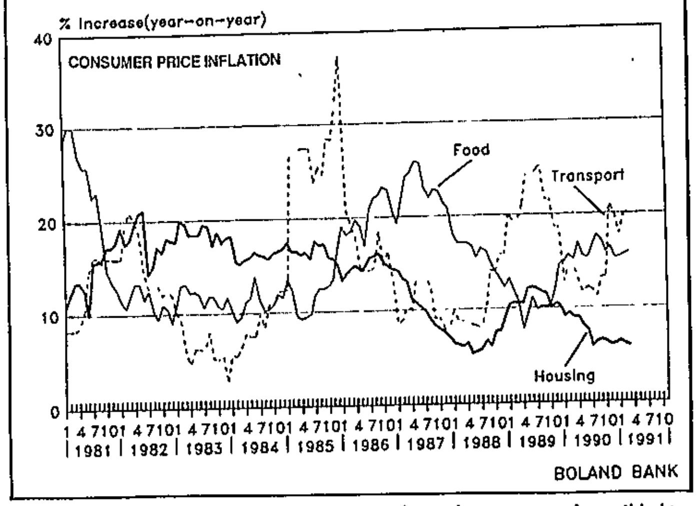
The accompanying graph produced by Southern Life illustrates the point.

It shows food price inflation measured on a three-month moving average, according to the PPI and CPI.

Southern chief economist Mike Daly points out that while the food prices increase from producers have surged above the CPI, *the rate of increase in food prices for consumers has almost never fallen when producer prices have fallen.*

"When there is a sharp fall in the month on month increase in the PPI it isn't followed by a smaller rate of increase in the CPI."





RIDING HIGH .... The top graph, a three-month moving average of monthly increases, shows that while retail food prices increase in line with producer prices, they seldom fall when producer prices fall. The bottom graph shows disparities in the inflation rate of three major sectors: food, housing and transport

The way the two indices are made up is likely to differ, explaining some of the difference, with the CPI being much broader than the PPI.

It is puzzling, as Nedbank chief economist Edward Osborn remarks, why falls in the price of particular foods have not had a greater impact on food inflation. This may be because falls in one type of food are often offset by sharp rises in other foods A drop in the price of meat, for instance, was accompanied by a 44 percent rise in the price of fruit, Osborn says.

The retail chains are not increasing their traditionally thin margins, ie the difference between the price they pay and the price they receive for goods sold.

A submission by the South African Chamber of Business to the Competition Board on the supply and distribution of foodstuffs exonerates the big chains, despite their ability to put pressure on small retailers, concluding that competition in food retailing in white-dominated business areas is fierce, though opportunities exist for small entrepreneurs.

Pick 'n Pay food director Sean Summers lays the blame for food price inflation directly at the feet of the big food processors

One has only to compare the profits being made by the manufacturers and processors of the goods Pick 'n Pay sells with the profits of the chain.

Retailers are often forced to deal with one supplier, for example with sugar and canned fish.

Summers refers indignantly to suppliers who announce profit increase of 72 percent and are even bullish about the prospects for next year.

"In canned goods we have seen price increases of 30, 40 and 50 percent over the past eight months." A can of baked beans has risen in price from 79c to R1,29 in one year.

Sanctions have kept South African companies uncompetitive, says Summers, and he looks forwards to the return of multinationals. Jammine, however, says the big chains have cut prices on loss leaders and made profits on all their other lines.

They have tended to give big wage increases to their staff and have passed this on to the consumer. Also, they are faced with rising rentals from the owners of the properties out of which they operate

The chains, says Jammine, may not be increasing their margins, but could be passing on the actual increased costs to consumers.

The discrepancy between the food PPI and food CPI need not imply an increase in the retailer's profit margins, says Jammine. Other costs such as the distribution, wages, leases, and, importantly, packaging may all have increased out of proportion to the inflation rate.

"It is nevertheless hard to account not only for the consistency over almost six years with which food CPI inflation has exceeded food PPI inflation, but also for the fact that the gap has been widening in the past two years.

Even if the mitigating factors such as packaging costs were valid at times it seems some of the effects of high input inflation would have had to be absorbed sooner or later, had there been a more competitive retailing environment.

In the food processing industry, the accusation is that in part the chains have overinvested in property and buildings, particularly in white areas The difference between the CPI and PPI is put down to efficiencies in manufacturing not being passed on to the consumer.

The food processing industry will naturally enough claim there is no co-operation between the various divisions and subsidiaries on pricing; sources in the retail industry, off-the-record, contend they have seen MDs of companies belonging to big groups put under pressure by head office.

In the light of the concentration problem at both levels, it is worrying, Jammine comments, that Premier's recent acquisition of Metro Cash 'n Carry is a move towards vertical integration in food supply.

In the end, a food price detective might be led to conclude, like Hercule Poirot in *Murder on the Orient Express*, that they all did it

And this is the point. An environment of continued inflationary expectations makes it unlikely that anyone along the food supply chain will be happy about absorbing cost increases to drop prices And concentration of control at all levels must interfere with competition, underlining the difficulty of combating inflation at a macro-economic level alone through monetary and fiscal policy, necessary though this is.

The problem of prices that change between shelf and till

w/Mail 14/6- 20/6/91.

Cracking the bar code isn't easy

CRITICAL CONSUMER

Pat Sidley

BETWEEN the two most recent vists paid to my local hypermarket, the store had introduced scanning. That is to say, each article brought to the till bore only the bar-coding to be read by a laser scanner so that a price could be rung up on the till. None of the articles carried individual prices.

It struck fear into my heart. At no stage in the history of my erratic relationship with the store had they ever managed to get it completely right. Each till slip dragged home with the huge load of shopping had disclosed till errors — usually in favour of the store.

Was I now to believe because computers were in charge at the tills and not people, that all would suddenly be well and the hypermarket would miraculously eliminate human error?

Well, I am told I ought to believe this.

Not only does the store say so, but so do the South African Numbering Association(which deals with bar-coding), the Consumer Council and the United Kingdom's Consumer Association.

They believe that the benefits of bar-coding outweigh the disadvantages for consumers.

However, in the United States, things are different. When bar-coding was introduced in the 1970s, consumer activists were worried that consumers could not see what they were paying at the till and compare it with the price marking on the goods.

They had legislation introduced so that in stores where scanning is the preferred method of ringing up prices, the prices still have to be marked on each item.

In South Africa, and in those stores using the system in the UK, the argument is that the computer at the store is programmed in such a way that when it reads the bar-code it will ring up a price — and since it is stored in the computer's memory, it cannot read the code incorrectly. To believe this you have to have total faith in computers.

And there is still one major place where an error can occur: when a human being is responsible for putting the correct information into the computer and then keeping it accurate and up-to-date.

However,this Critical Consumer contends that in South Africa we have different circumstances. We have a largely uncritical body of consumers, many of whom are illiterate — and would, in any event, feel intimidated by the idea of challenging a supermarket.

When I raised this with the Consumer Council in Pretoria (which purports to give support to consumers and their complaints), I found little sympathy. Consumers were owed the "basic right of protection — but often what they most needed was protection from themselves", a council spokesman said — adding a sarcastic remark about "their" capacity to understand credit cards, too.

Many consumers in South Africa have learned only to cope with numbers so that they can handle shopping. It is a serious problem — not one to be avoided — that these consumers cannot easily check the price of the item they have bought.

Often what is thought to be full information on the shelf label is, in fact, full information only to the fully literate and discerning consumer.

The main purpose of bar coding and laser scanning is to improve information and stock control for retailers. This in turn may help stores more effectively stock what consumers want.

If that is done more efficiently, the theory goes, price hikes may be kept in trim. The time spent at the till is shorter and cost savings are made by not marking individual goods.

In order to inform customers adequately of the prices of the goods, retailers using bar-coding are required by a voluntary code of conduct to ensure that there is a clear indication of the price of the goods on the shelf.

This is where one of the major problems has occurred worldwide, as the Consumer's Association confirmed to *The Weekly Mail* this week.

There is sometimes a discrepancy between the price on the shelf and the price that is rung up on the till — causing anger or anxiety in consumers, who automatically feel they are being cheated.

However, says Bob Pearcy of the SA Numbering Association, many stores using the system will give the customer the disputed item free on production of a till slip showing a discrepancy between the information recorded at the till and the information on the shelf.

It is a mark of their confidence in the system and an attempt to instil similar confidence into consumers.

This may eliminate fears of cheating on the part of reputable stores, but it is unlikely to eliminate the practice of a dishonest dealer who has priced many items at the shelf at a lower price than the price they will bring at the till.

For those consumers without photographic memories for the price recorded on a shelf label for every item placed in a trolley of goods, this problem is real.

Retailers are still required to mark goods whose weights vary — so cheese, or chickens which may have differing weights, are required to have individual price markings. For other goods, the law allows the marking to be placed in close proximity to the goods to be sold.

One advantage for consumers is the fuller information on the till slip which can now be programmed to record, for instance "Bonny Bird Frozen Chicken R6,26" as was recorded on my very long and detailed slip at the hypermarket.

The Consumer Council suggested that consumers need to make a note of the price of each item as they pick it off the shelf if they are worried about forgetting the price by the time they get to the till. Does my tax money actually pay these people for proferring such extraordinary advice?

The SA Numbering Association is part of an international organisation which deals with bar-coding, an international business system.

If consumers have no satisfaction dealing with their store on bar-coding problems, they should contact Bob Pearcy at the Association (011-787 4387) and he will take the issue up if required.

He, unlike the consumer-protection people, believes consumers should have the benefit of the extra price marking, but says it is too expensive for retailers.

Groups aim to fight for homes

Sowetan 20\6\91

30

By JOSHUA RABOROKO

TWO major black business organisations have pledged to help their members get proper homes and trading facilities in central business districts and townships.

The National African Federated Chamber of Commerce and the Foundation for African Business and Consumer Services regard the shortage of homes and trading sites for blacks as critical in South Africa.

Fabcos public affairs manager Mr Mike Ntlatleng said a new property company was spearheading Sabta's campaign to get South Africa's municipalities to set aside land for taxi ranks.

He said Fabcos would ask councils to look at the taxi problem because failing to do so would be wishing away a rapidly growing industry that provides jobs for many people.

His organisation would also look at housing for members.

Apartheid

The scrapping of apartheid laws such as the Group Areas Act, the Separate Amenities Act and the Land Acts would not in itself ensure upliftment of the standards of living of blacks to that of whites.

Speaking at the official launch of the National African Federation for the Building Industry managing director of the SA Perm Mr Bob Tucker said the chronic housing ills experienced by blacks over the years would largely be solved by themselves.

The South African system had been characterised by paternalism. Everything for the blacks had be done by whites and that was a fatal mistake.

"We then decided that things should be done in consultation with blacks, another mistake and as if to nail the coffin, things must be done by whites with blacks.

"The only solution lies in the hands of blacks themselves. Things must be done by blacks with the assistance of other racial groups," he said.

"In the past years millions were pumped into the South African Housing Trust and last year into the Independent Trust to solve the housing problem, but have you felt any change?

Paternalism

"No, because that is not where the solution lies, the practical solution is in the hands of blacks."

Spending by South African blacks on housing was the lowest among Westernised countries.

The effect of paternalism had been to disable blacks and make them perpetually dependent. South Africa was rich with resources.

"What we need is re-direction of these resources and effort and strong initiative and innovation," Tucker said.

The general manager of Nafbi, Mr Solly Moutlana, said: "Blacks cannot wait for a Government which is bankrupt with ideas to come to our rescue anymore.

Land policy

"We need to fight for an equitable land policy and take over our own problems - we understand them better.

"We need new and total commitment from everyone in our communities. Over the years we have watched our communities splintering into groups at a time that white organisations are welding together to form stronger ones."

He said blacks lacked understanding of what was happening around them. But they had identified their role and "we want to show everyone that out new builders' association is serious about the future," he added.

ANC calls off boycott in PWV

JOHANNESBURG. — The ANC yesterday called off a consumer boycott which, if successful, would have crippled business in South Africa's major economic hub — the massive Pretoria/Witwatersrand/Vereeniging region.

The ANC's PWV branch issued a statement announcing the cancellation of the boycott.

(30)

CT 19/6/91

Credit demand slows

CT 17/6/91

Own Correspondent

JOHANNESBURG. — The recession is now striking areas like retailing, bank credit and manufacturing production, all of which were virtually unscathed last year. (30)

Statistics show retail sales are in a downtrend and banks report credit demand has slowed in recent months.

Buoyant private consumption expenditure last year was reflected in steady growth in retail sales and credit demand.

But the downturn in both areas in the first quarter of this year shows that high interest rates and recessionary conditions have at last curbed consumer spending.

Although month-on-month retail sales in May 1991 grew in real terms, monthly retail sales figures are volatile and a distinct downward trend, established in the last quarter of 1990, is now well entrenched.

Debt-financed expenditure has been a particular feature of the current recession but this now appears to be slowing.

Figures released by the Reserve Bank show annual growth in bank credit extended to the private sector eased to 19,5% in March, after a turnaround in February when credit extension again topped 20% year-on-year.

This may have been a technical increase due to the implementation of the new Deposit-Taking Institutions Act in February.

First National Bank senior GM Jimmy McKenzie said growth in credit demand over the past two months had been modest.

United senior GM marketing Tienie van der Merwe said demand for hire-purchase finance had fallen off in line with Reserve Bank measures to curb credit demand.

But demand for personal loans and overdrafts had been quite strong given the current economic conditions.

Manufacturing production volumes fell by 2,3% month-on-month in February 1991 and wholesale sales dropped by 1,4% in March.

Manufacturing production has fallen 4,2% since the onset of the recession in the first quarter of 1989.

Nearly 50% of the industry's production has fallen by as much as 20% over the recessionary period, and about 35% showed increases of up to 20%, says Nedbank chief economist Edward Osborn.

Boycott delayed in Pietersburg

30

Sowetan 25/6/91

By MATHATHA TSEDU

THE ANC, Azapo and the PAC have agreed to the postponement of a consumer boycott in Pietersburg which had been scheduled to begin yesterday.

The agreement, reached at a meeting at the ANC offices in Pietersburg, means the scene is now set for action.

Protest

Plans for the protest were prompted by the local town council's refusal to grant a permit for an ANC march two weeks ago.

Besides the ANC, the meeting was attended by the National Council of Trade Unions, the Congress of South African Trade Unions, the Southern Africa Black Taxi Association and the Northern Transvaal Council of Churches.

The ANC, which came up with the idea of the consumer boycott, had proposed yesterday as the starting date.

But Azapo and Nactu, while supporting the consumer boycott, objected to the date and said communities to be affected by the move had not been consulted.

People at the meeting also agreed that community meetings would be held in townships and villages around Pietersburg this week on the issue.

The boycott is also to demand an end to alleged police harassment of striking workers, higher wages, free political activity, the right to march and subsidies on transport.

The organisations have formed a consumer boycott committee to organise the boycott.

The Pietersburg Chamber of Commerce and Industries has condemned the intended boycott and called for consultations with the the consumer boycott committee.

Edgars budgets for continued growth

B/Day 11/6/91 (30)

MARCIA KLEIN

EDGARS, one of the star performers in the SA Breweries stable, is budgeting for further expansion, continued market share gains and a satisfactory growth in earnings in financial 1992.

CE George Beeton says in the group's annual report that despite the VAT wildcard — which could affect the development of disposable income — and forecasts of little growth in the semi-durable market in the year ahead, Edgars will continue with a R100m capital expenditure programme, funded from cash generated and gearing capacity.

He says growth in earnings in financial 1991 would be at a lower rate than the 22% hike in earnings a share to 296c (243c) which Edgars reported for the year ending March.

Edgars, whose divisions include Edgars, Sales House and Jet Stores, has completed 22 consecutive quarters of increased earnings, and shareholders' wealth has grown at a compound rate of 65%.

Beeton says the strategy of Edgars' three major chains to achieve market share leadership in every sector in which they trade has been achieved by Edgars and Sales House. Human, technical and financial resources have been allocated in order for its strategically important cash business Jet to achieve this target.

Fledgling

The group's manufacturing arm Celrose now has a more strategic role than originally envisaged, Beeton says. It is a major supplier to the group's retail business and supplies about 25% of its production to the open market in SA.

Edgars also has two new fledgling businesses, small store business Express and mail order enterprise Decisions, both of which have the potential to be significant profit contributors, Beeton says, "but their future depends on a demonstrated ability to achieve, within a determined timeframe, dominant market shares in the sectors in which they operate".

The group expressed concern at developments in the textile industry, with late deliveries and shortages plaguing manufacturers.

Chairman Meyer Kahn says in the report Edgars' future success is dependent on its ability to source adequate supplies of desirable fashion merchandise.

Edgars Investment Holding Company was established during the year "to provide the group with a co-ordinated acquisition, development, design, project and property management service".

'Double whammy' trouncing small firms

G-I 12/6/91

30

By AUDREY D'ANGELO
Business Editor

SMALL businesses and self-employed people are being forced into liquidation by the "double whammy" of falling demand and higher costs, which include high interest rates, the Cape Chamber of Industries (CCI) reports.

Bankorp senior economist Emile van Zyl says in his weekly report on economic indicators and financial markets that the recession is deepening, with the volume of manufacturing production down by 3,8% year on year in the first quarter and the number of liquidations in April the highest since mid-1990.

The SA Chamber of Business (Sacob) says in its manufacturing survey for May that "small firms with a limited working capital are suffering the most.

"This does not mean that large companies have escaped unscathed," says Sacob economist Keith Lockwood, "but smaller companies are often more vulnerable.

"Many of them suffer from the double impact of shrinking demand, as a result of the economic recession, and higher costs of production.

"The high costs of production tend to be a result of high finance costs and interest bills, excessive wage demands which do not match productivity and higher fixed costs per unit of output as a result of lower sales.

"Consequently many small businesses in general and numerous self employed sole proprietors are going into liquidation at the moment."

In spite of this, and a drop in manufacturing activity in May, Lockwood continues, "many industrialists are still cautiously optimistic about their sales performance over the next 12 months."

He says the survey showed "many industrialists intend to invest in new capacity over the next 12 months."

And he forecasts "a wide economic recovery will start in the first half of 1992 and gather further momentum in the next half of that year."

This, he says, will be helped by the need to replenish stocks and by a more accommodative monetary policy.

The CCI says its members are slightly more optimistic than those in the country as a whole.

Commenting on the Sacob survey, the CCI weekly bulletin reports: "Responses by members of the CCI indicate a greater level of optimism, with the index for expected manufacturing sales for the next 12 months recording 118 compared with the national index at 114."

Foschini to pour funds into UK bid

(30)

B/Day 27/6/91

MARCIA KLEIN

FOSCHINI is ready to pour at least R131m into a hostile takeover bid by Oceana Investment Corporation (Oceana), controlled by Foschini's Lewis family, to acquire UK fashion retailing group Etam.

This amount could go up to R153m in terms of Oceana's £87m (R470m) bid for Etam — at 185p a share — in which it already has a 28% stake.

UAL Merchant Bank says the proposed deal, which values Etam at £121m (R650m), will be financed by a consortium of UK investors (£31m), a debt facility of £11m, and Oceana itself (£45m).

Oceana Retail Enterprises (ORE), in which Oceana will have a 50% stake and voting control, has been formed specifically to make the offer. UAL says the UK investors will hold the remaining 50%.

The bid follows last weekend's ultimatum by the London Takeover Panel to the Lewis family to come up with the money for a full bid or the panel would rule that it could not make a takeover bid for the next 12 months.

The offer document to Etam shareholders will be posted tomorrow.

UAL says the bid will be funded by placing 16,7-million new ordinary shares of Oceana, which it will underwrite.

Also, Foschini will acquire a 36% interest in the enlarged equity of Oceana for about R153m in the event of an unconditional acceptance of the Etam offer and R131m if the offer is not unconditional.

UAL corporate finance executive director Tim Sewell says the rights offer will be placed with UAL in line with UK practices, and shareholders are entitled to "claw back" their rights. As UAL is underwriting the offer, shares not taken up will be placed by UAL "with institutional and other investors in SA".

Sewell says if the bid is not successful, Oceana will probably lose its UK listing in terms of LSE requirements, but its JSE listing will not be affected.

Oceana says it has made the offer in order to establish a major retailing presence in the UK to complement the activities of Foschini in SA.

☐ To Page 2

Foschini

B/Day 27/6/91. (30)

☐ From Page 1

An informed source said yesterday that the takeover bid was likely to be seen as "unfriendly", as Etam had turned down Oceana's tender in April to acquire 18,5% of Etam's issued share capital.

Oceana's total identified SA shareholding is almost 78%, with the Lewis family and associates interests at 59%, Sanlam 13% and the Anglo pension fund 6%.

JOHN CAVILL reports from London that Alan Howard, chairman of Etam which owns 251 retail shops in England, rejected the offer outright.

"We will resist this attempt to grab Etam on the cheap at the bottom of the retail cycle. Investment in new space and new formats to bring growth in the 1990s has already given Etam the base for an exciting future," he said.

"Seldom can there have been so blatant an example of a predator trying to cash in on a management team's achievements at the expense of a company's shareholders."

The running of Etam was taken over by Cape Town-born accountant Roger East 12 years ago when it was making a loss of £3m. He turned the company into profits which peaked at £17,9m pre-tax in 1987/88 on sales of £114m.

Since then Etam has been hit by the costs of expansion. While sales climbed to £181m, profits stagnated at £17,5m. In 1990/91 the recession saw earnings slump to £8,4m pre-tax on turnover of £206m.

Mashold surges on despite tough times

BDay 24/6/91 (30)

LINDA ENSOR

CAPE TOWN — Direct selling and mail order group, Mas Holdings, has lifted attributable earnings 34% to R8,5m for the year to end-February 1991.

Earnings a share rose 27% to 41,6c (32,7c), diluted by the shares issued for the acquisition of the trading companies of Springtex during the year.

A final dividend of 9c a share has been declared, bringing the total dividend for the year to 16c (14,5c). An early partial final dividend of 8c a share has already been paid to shareholders.

Buffer

Mashold CE Marco van Embden said he was pleased with the results which were achieved in tough trading conditions.

"We have actively embarked on an international export programme to buffer the effects of the economic downturn. We have managed to arrange a favourable distribution structure for export into Malawi. This will have a positive effect on our expansion plans for the rest of Africa."

Van Embden said a small export base had been established in the UK where Mashold was already actively trading. While important, exports represented less than 10% of total sales, he said.

The divisions in the direct selling operation — also a growth area for the group — were trading extremely well.

"To meet demand we have more than doubled our number of commissioned direct selling agents to over 3 000," Van Embden said.

Subsidiary Catalogue Corporation experienced difficulties after relocating to larger premises which affected trading during the first few months of 1991. Steps had been taken to rectify the situation and Catalogue was expected to trade satisfactorily during the current year.

Van Embden said prospects for the group looked good.

"We are particularly excited by the entry of certain retailers into the mail order arena. This will increase the number of customers and augurs well for the future of the industry as a whole."

Emphasis had been placed on reducing gearing during the financial year and borrowings had dropped by about R5m.

2 500 Soweto businesses face power cuts

BIDay 25/6/91. (30)

THEO RAWANA

ABOUT 2 500 Soweto businessmen, who collectively owed the Soweto City Council R10m in electricity and water arrears, faced electricity cuts from today, Soweto City Council PRO Mojalefa Moseki said yesterday.

Traders and other bulk-users who did not pay up after having supplies cut off risked court action, which could lead to attachment and auctioning of their properties, Moseki said.

About half of Soweto's approximately 5 000 businessmen owed a total of about R10m — a debt accumulated since the signing of the Greater Soweto Accord in September last year.

Other bulk-users such as government institutions rushed to pay up when their power was cut off recently.

"Two weeks ago we identified 110 'worst cases' and cut power supply to about 55. The result was that we recovered more than R1m in arrears in 16 days," he said.

The council says businessmen are not covered by the accord, which wrote off R516m owed by Diepmeadow, Dobsonville and Soweto residents since 1986.

Moseki disputed claims that the meters, accounting and billing system were faulty, saying these had been updated in accordance with the provisions of the accord.

A spokesman for the Greater Soweto Chamber of Commerce said yesterday the Soweto Civic Association was still negotiating the electricity issue on behalf of the businessmen.

Small business offers greater growth potential

PETER GALLI (30)

THERE is neglected property potential in small business which, in the current business climate, is often able to operate profitably on work the bigger players would not even consider, says Investron MD Alan Goldring. B Day 26/6/91

"They offer more growth potential at present, and we have traditionally positioned ourselves to serve their needs with some innovative financial packages and we are open to new projects or redevelopment," he adds.

In view of this, Investron is to establish its new Johannesburg marketing and projects office in Nugget Street as a prelude to a programme of mini factory development on the periphery of the CBD.

"There is a view that there are a number of small entrepreneurs who could make use of factories close to the CBD. The decaying warehousing and factories in areas like Benrose, Booysens and Ellis Park offer the possibilities of refurbishment into well-priced small factory units for rental," Goldring says.

He refers to the concept as "recentralisation" — the first example of which houses the company's Johannesburg office in Nugget Street.

Known as Nugget Square, the R4m, 32-factory project is on a strategic site bordered by Anderson, Nugget and Albert streets.

The first phase has already been let off-plan at monthly rentals starting at R1 500 a month.

CNA Gallo budgets (30) for growth in 1992

Bdday 21/6/91

MARCIA KLEIN

DESPITE "uniformly bearish" economic forecasts and an expected delay in recovery from the recession, CNA Gallo (Cnagalo) has budgeted for continued growth in financial 1992, chairman Doug Band said.

In the retail and entertainment group's annual report he said these factors, coupled with violence in SA, might still have a detrimental effect on short-term performance.

In the year to end-March Cnagalo increased its attributable earnings by 21% on the back of favourable trading conditions in almost all of its operating companies.

Cnagalo "took advantage of weakness in the market" in Waltons Consolidated Investment shares, and topped up its shareholding to 20,2%. Band was confident of this investment in the medium to long term.

The Gallo entertainment division bought a 50% interest in the Nu Metro Group, which Band said was "a good long-term strategic investment and a logical diversification" into the cinema and film distribution business.

Nu Metro acquired Gallo Home Video, making it the largest video company in the market.

Gallo also bought 33% of SA's first compact disc manufacturing facility, Compact Disc Technologies. Band said this should give consumers better title availability and a 17% price reduction.

Cnagalo disposed of 60% of its shareholding in The Video Lab.

Band said the CNA division, with 315 stores, turned in an above average performance. The music section had performed well, especially with the "phenomenal 83% growth in the compact disc market".

The Gallo division reported "good results" in a buoyant local music market, Band said.

Edworks refashions marketing ideas

B/Day 19/6/91 (30)

BRENT VON MELVILLE

THE new management team at W & A subsidiary Edworks is planning extensive rationalisations and a complete about-face in marketing philosophy.

The team, under the chairmanship of Hilton Nowitz, intends to cut the number of stores in the group and aim its merchandise at the middle to low income brackets.

Nowitz said Edworks hoped to see some operating profit this year although reorganisational costs would probably bring the group back into a loss situation, and it would take "several years" for the group to get to desired efficiency ratios.

The group was reassessing the feasibility of each store and any unprofitable stores would be closed.

Nowitz, who was moved into the Edworks chair from Homemakers following the departure of former Edworks executive chairman Ivan Posniak, said the present structure of the company was far too cumbersome and complex. The aim was now to simplify and "get back to basics".

He said the idea was to trade in the less risky area of the market by steering away from "high fashion" to high volume/low cost. In line with that philosophy the name of the Edworks group has been changed to Safshoe, and a possible name change for the Edworks chain of stores was also in the offing.

The group, which covers Pix (now changed to Shoes For Africa), Pick-a-Pair, Edworks, Koko and Marcello, Pashleys (the wholesaling division) at present comprises 270 stores.

The nine Marcello stores will likely be sold, while the 19 Koko outlets will be put under independent management to operate for W & A. Nowitz also alluded to significant rationalisations with the Edworks chain, which at present has 120 stores.

Nowitz said the team would be looking at changes to systems and financial controls, which would go through right to head office level.

"Once we have addressed efficiencies and infrastructure we expect to realise a signicantly higher return on assets," he said.

Nowitz said Safshoe, which held 4% to 5% of the shoe market, expected to signicantly increase market share in the future.

Prefcor planning a R270m listing

MARCIA KLEIN

PREFCOR, thriving Durban-based retail group, will be coming to the JSE in about August in a listing which it hopes will raise R270m.

(30)

The group, whose operations include Game Discount World, furniture chains Beares, Savells, Furniture Game, Price and Link, and Bee Gee clothing outlets, has a turnover of nearly R1bn, and pre-tax profits are estimated at R72m for the year to end-June 1991.

B Day 17/6/91

Executive chairman Terry Rosenberg says Prefcor will be listed in the retail and wholesale sector, and the listing is likely to contain an offer for institutional investors and a public offer.

Prefcor will be capitalised at between R550m and R600m on listing.

Rosenberg says R190m of the R270m to be raised through the listing will be used to improve the group's capital base and enable it to develop its businesses. Plans include exploiting the growth potential for Game stores in the Transvaal, expanding the group's furniture stores in the rural areas, and increasing the number of its clothing stores.

The balance of the funds will be used to reduce the holding of the foreign consortium "that helped fund our leveraged buyout of the then listed Beares Limited in 1988", Rosenberg says.

The foreign investors who had previously maintained a low profile were now more than prepared to be "seen and counted" as investors in the company.

Swiss businessman Eric Beyersdorf, who led the foreign consortium, is to join the Prefcor board. His family owns 65 departmental stores in Switzerland, 25% of the Euromarche group in France and has vast US interests.

SUNDAY TIMES, June 23 1991

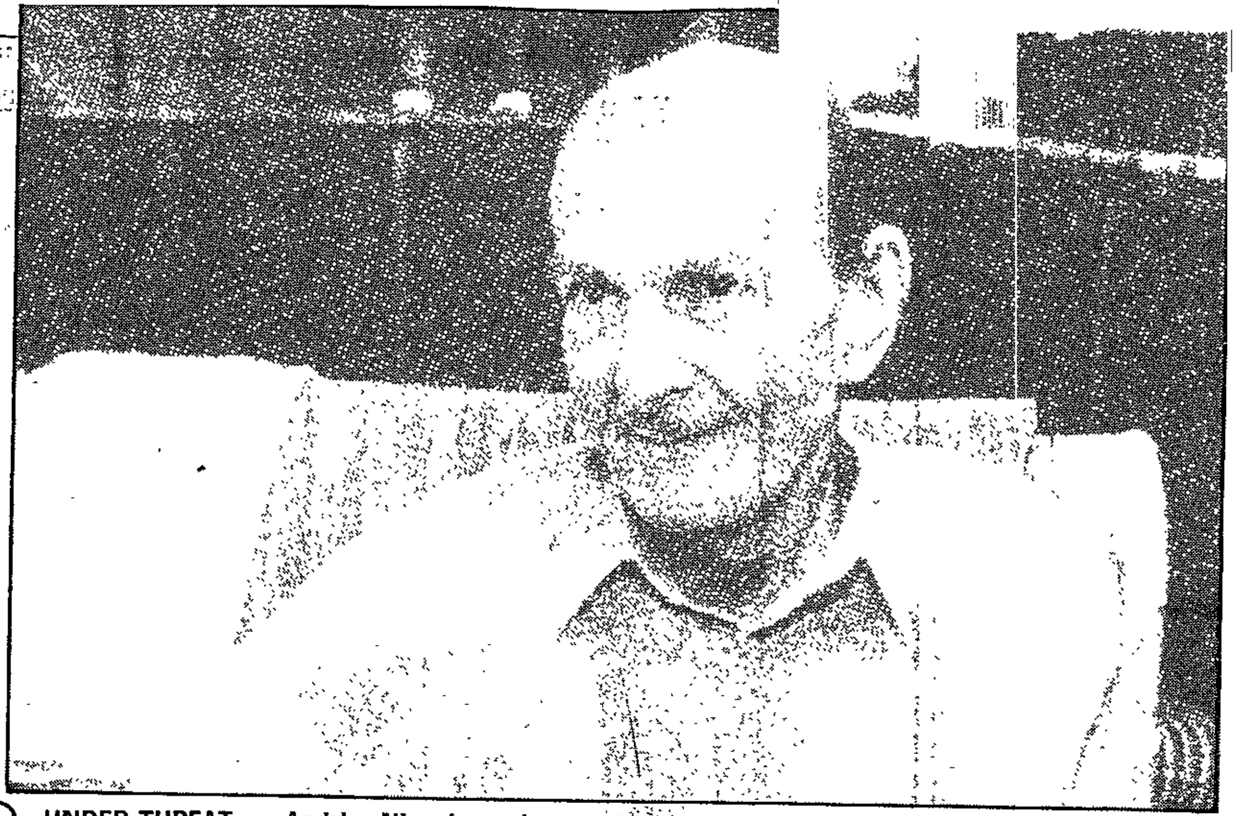
ANC's Comrade 'Hamba-Hamba'

ST Times 23/6/91

Andries is branded a Judas for abandoning the Nats

(30)

ANGRY . . . Messina businessman Piet Roux claims Andries joined the ANC merely to make money



UNDER THREAT . . . Andries Nienaber, who says his white ex-friends want to run him out of town

WHEN shop-owner Andries Nienaber was a member of the National Party, his black customers nicknamed him "Hamba-Hamba" because he was always hurrying them out of his store.

Now Mr Nienaber, 58, has joined the ANC — and his white friends in Messina have branded him a Judas. They want to chase him and his wife, Daisy, out of town.

But at least his business is surviving a consumer boycott started on June 1 by Nancefield township residents in protest against five black local councillors who refused to resign.

Now black consumers are Mr Nienaber's mainstay, while white people who had been his lifelong friends neither greet him or buy from him.

Report: JOCELYN MAKER □ Pictures: BRIAN HENDLER

Many have accused him of betraying his white heritage by joining the ANC as a means to make money.

Mr Piet Roux, who manages a family supermarket and milling company in Messina, said:

"We are suffering while Nienaber scores. Joining the ANC was purely a financial move. People have stopped talking to him and they want him to move out of town. There is going to be trouble in this town because of him.

"The whites in Messina see him as a traitor. A group of businessmen held a protest braai outside his shop two weeks ago and some of them have tried to get big companies to stop supplying him, but it hasn't worked.

"Whites must stand together to put an end to the boycott."

But Mr Nienaber — the only white ANC member in the Northern Transvaal — vehemently denies the accusation that he joined the ANC for financial reasons. He says he has been an ANC member since early last year — long before the present boycott began.

The turning point for the tall tanned man, a National Party supporter for most of his life, came about 12 months ago when an earlier consumer boycott was launched by blacks in Messina.

Said Mr Nienaber: "At a Chamber of Commerce meeting during last year's boycott, someone suggested that whites should stop selling to Nancefield residents when the boycott ended.

"I have learned the hard way in my life. I left school in Std 8 at the age of 13 and had to make it on my own. I settled in Messina in 1966 and opened three wholesale businesses, relying mostly on black trade.

"I told the chamber I would trade with anyone, regardless of their skin colour.

"One of the members warned me he would cut off my supplies if I did. Yet the very people who threatened to stop supporting me were the ones who went into the township after dark and secretly sold vegetables from their bakkies."

Once the story spread that Mr Nienaber would not take part in the proposed counter-boycott, white customers started disappearing from his stores.

"After the first boycott, black residents who must have heard about my point of view, came to me and apologised for not buying from me and for the financial loss I had suffered," he said.

"From then on, my feeling for the Messina blacks began to grow. I learned to know them and eventually they began coming to me with their problems.

"This had never happened before. I involved myself with them by sponsoring their football team, by helping their children with their education and by paying for study tours.

"The church committee came to me for advice on how to establish a pre-school for the children who were left to play in the streets while their mothers worked as domestic servants in white homes.

"Then last year they approached me and said that it was time I took the final step and joined the ANC. My wife and I were part of their community. So I made up my mind and became an ANC supporter.

Deadlock

"Some people in Messina seem to forget that I am losing R80 000 a month in turnover at my two shops which are being boycotted. It is only the one shop opposite the township that has been exempted from the boycott."

But Mr Nienaber added: "I have no fight with the white residents — it's them who want war with me."

A spokesman for the residents and chairman of the Messina Advice Office, Mr Jacob Matakanye, said a meeting with businessman in the town reached deadlock this week.

"We will be holding more meetings in the near future with all concerned, but the black residents have given us their mandate — they want the black council to resign," said Mr Matakanye.

SUNDAY TIMES, Business Times, June 2, 1991

Pepkor clothes the masses, aims for the top spot in food

S/Times 2/6/91 (30) (Bus/Times)

...LE 'em high, sell 'em ... In doing both, ...epkor lifted turnover ... R876-million in ... to almost R2-... in the year to ...ebruary 1991.

In that time, a net loss ... R12,2-million was ...d into a black bot... line of R78,3-million.

Three acquisitions in the ...rrent year look destined to ...ise the group's prospects.

Chairman Christo Wiese gave presentations about the group to the Investment Analysts Society in Cape Town and Johannesburg this week.

It crossed his mind to ask whether any of those attending had ever been inside any of the 801 Pep, 120 Ackermans, 72 Shoprite, 150 Smart Centre, 42 Frasers mine stores or the 200 Harties shops. He thought better of it.

The Investment Analysts Society does not abound with down-market shoppers.

Mr Wiese's group aims to become the biggest retailer of clothing and perhaps of food to the mass market.

Pepkor started life 25 years ago as a single shop in De Aar. It was opened by group founder Renier van Rooyen, a former chairman and still a non-executive director.

The group has 1 400 shops, will hit 1 500 this year and intends to open about 70 a year thereafter. It also manufactures long-run popular goods, which make up more than a quarter of its retail sales, and has interests in property.

Mr Wiese says the group is controlled from the nerve centre at Parow.

Unlike many other groups which take pride in reducing the number of employees, Pepkor is glad to provide jobs for 20 000.

About 40% of its management is black, brown or Asian and 70% of store managers are women.

"Our customers mirror the make-up of the nation's fabric," says Mr Wiese.

CHRISTO WIESE: All colours, shapes and sizes make up the market — Picture: COBUS BODENSTEIN

Pep was built on the cash selling of clothing at a discount. But 50% of all clothing sales are now on credit. This explains the purchase of 55% of Smart Centre from Tradegro. Smart sells on credit, but Pepkor will not permit credit sales to exceed 20% of group turnover.

Top company Pepkor is capitalised at more than R1-billion on the JSE. The group's structure keeps changing — the one in the annual report issued this week is already out of date.

The current line-up shows Pepkor with 79% of Shoprite, more than 90% of Pep Ltd, 50% of Properties and 55% of Smart. Pep Ltd holds Pep Manufacturing, Pep Stores, Ackermans, Pep International, Frasers and Harties.

In three years from 1986, Pepkor achieved its objective to refocus in mass marketing. Non-core business was sold, return on capital topped 25%. Pep Stores and Shoprite were listed and each division was able to stand alone financially.

Two years ago the mission was refined and financial goals reset to more conservative gearing of no more than 50% and to a higher return of 30% on capital employed.

In the year to February 1991, Pepkor's return on capital was 50% and its gearing 23%. The tax rate will stabilise about the current 41%.

Mr Wiese hints that behind Pep's success lies in part the redistribution of wealth. Low earners have consistently achieved better pay increases than have those in higher brackets.

As recession bites, people will move down market to shop at Pep outlets until money is less tight. When the economy picks up, Pep picks up customers from the lower end again.

The group also benefited from the withholding by the masses of payments for rent and services. On the other side of the civil disobedience coin, Pep's staff unionisation figure is low, and labour relations have been good.

Mr Wiese admits that his group has been as vulnerable to shrinkage as have all the other big retailers to report this year. Stock losses always rise in a downturn, but Mr Wiese reflects the thoughts of many with his mention of professionalised theft.

The mild early winter has adversely affected the sales of winter clothing — it has only a 12-week selling season in any event.

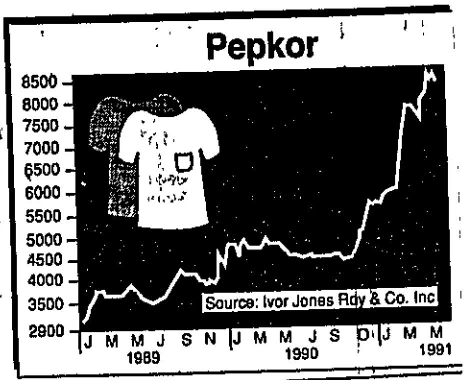
Pep hopes to export clothing and textiles and to apply its technology abroad by setting up stores. An agency agreement has been concluded with a European associate.

Pep expects a large part of its sales to come from international markets in the 1990s.

Mr Wiese says Pep operates on a by-choice acquisition mode, not in a have-to situation, to generate growth.

Shareholders can look to real growth in dividends if Mr Wiese has his way.

● Sellers demanded R90 for Pepkor shares on Wednesday, but buyers would offer no more than the ruling R82,50. The high of R85 was reached the previous week, the price having doubled since October.



Oryx snubs minorities

S/Times (Bus/Times) (214) 2/6/91.

ORYX Gold Holdings, the Gengold-managed developing mine in the Free State, needs almost R1-billion in escalated terms to complete phase 1.

Gengold says phase 1 is progressing satisfactorily. The main sub-vertical shaft has reached 1 905 metres and the ventilation shaft 2 007 metres. The refrigeration plant has been commissioned and the metallurgical plant is under construction.

All this is in spite of difficult ground conditions and major water intersections. Gengold says more precise knowledge of the reef position has necessitated revisions of shaft planning.

The ventilation shaft will need to be 130 metres deeper and production will start four months later than planned. The project has been rescheduled so that the target of 100 000 tons a month will be reached on time in April 1994.

Planned full production on phase 1 will be 20 000 tons higher at 120 000 a month thanks to the changes. They add R120-million to the escalated capital cost.

"Current market conditions are not conducive to the raising of these funds in the equity market," says Gengold.

So four major shareholders who own 97% of the equity are to provide interest-free loans to Oryx.

Two points come to mind. The first is the principle of interest-free loans. In the real world, somebody pays for everything. In this case, the members of the four philanthropists channelling free money to Oryx will pay in terms of lost opportunity on that cash.

Second, the scheme seems designed to ensure that minorities will pay through the nose when the stock market is full of froth. Minorities will then get the right to subscribe for Oryx shares at a much higher price than today's.

If Oryx is as good as the major shareholders believe, why are minorities denied the opportunity to take part at a good price?

The market should be given a chance to decide on Oryx's merits.

TERRY ROSENBERG: Hoping to return

16 stores closed by tax change in HP

S/Times 16/6/91 (Bus/Times) 30

By DAVID CARTE

ACREM Holdings, a listed retailer in the Columbia Holdings group, is to close six of its 16 stores and retrench 60 staff members largely because of changes to Section 24 of the Income Tax Act.

Acrem financial director Philip Tunstall says the change will force the company to pay at least R10-million in the next four years and will cut profits and cash flow by up to a third.

But other hire-purchase traders say the effect will be relatively small. HP banks, including Wesbank and Bankfin, are expected to take a knock.

Mr Tunstall says the Receiver of Revenue's practice note 13, issued last month, requires Acrem to pay a large part of its deferred tax reserve in respect of debtors' allowances in the next four years.

Technical

The change is highly technical and can be explained in only the most simplified terms. Section 24 deals with taxation of profits on HP deals. Because profits arise only as payments are made over 24 months, tax on them is deferred.

Until now, as long as a debtors' book expanded, hardly any tax was payable. Inflation ensured that companies lumping their gross profit on goods together with that on their finance charges in deferred tax paid zero on HP sales.

In practice by note 13 the Receiver requires a distinction between their gross profit on the goods sold and their profits on finance charges. He will allow deferral only of the gross profits on the goods.

GEOFF AUSTIN: Banks target

Rusfurn managing director Geoff Austin, Amrel financial director Bruce Sinclair, Furniture Traders Association executive director Frans Jordaan and the man who wrote practice note 13 for the Receiver all say the effect on furniture traders with HP books will not be great.

They say banks are the prime targets.

Mr Sinclair says Amrel has always provided in its accounts for deferred tax, even though it did not pay it. Its published earnings will not be affected.

But cash flow will be reduced by roughly R8-million annually, starting next year.

Mervyn Gerszt, financial director of Rusfurn, says the change will push his company's tax rate from zero to 22% over four years.

That means, assuming no growth in sales, that Rusfurn will pay at least R23-million of tax in four years' time. But Mr Gerszt is glad that the practice note entrenches allowances on the goods sold under HP for the first time.

This means that the tax rate for HP dealers should not rise to the full company tax rate of 48%.

Morkels and Ellerines used similar accounting methods to Rusfurn in the past and are also expected to feel some impact.

Brian Borcherds, financial director of OK Bazaars, which has an HP book of R400-million, says the change is "slightly positive" for his company, which under-claimed in the past.

Naughty

Some rivals have been "very naughty" and he would not be surprised if their earnings and cash flows fell.

The banks will pay most of the R100-million extra that the Receiver intends to garner from the change.

Wesbank financial director Philip du Plessis says it will cost his bank at least R12-million a year.

His counterpart at chief rival Stannic, Gutch Vickers, says Stannic did not use the system in the past and would thus not be affected.

OK employs close-and-sell policy for weaker stores

(30)

B Day 5/6/91

LIZ ROUSE

OK BAZAARS, having suffered weaker-than-expected results, wants to improve effficiency to offset an unfavourable economic environment, says chairman Meyer Kahn in his annual review.

Following a strategic re-examination of the group's store portfolio, certain stores have been indentified for closure and disposal. This has given rise to an extraordinary write-off of R8,8m during the year to March.

Nine stores have already been closed and completion of the full programme will enable greater focus to be brought to bear on the devlopment of those stores which are dominant in their particular trading locations.

Kahn says little improvement is expected in the economic environment in the coming year and the real disposable income of consumers in the lower- and middle-income groups is likely to remain under considerable pressure.

Growth in activity will depend to a large degree on socio-political and industrial stability.

OK's management will concentrate on further refinements to the group's store portfolio; improving the marketing strategy; optimising stock turns with the aid of the new warehousing system; combating the shrinkage problem; tightening cost controls; and continuing strict cash management.

Achievement in these areas will facilitate an improvement in earnings and establish a stronger base for the future, says Kahn.

He says greater use of interest-free liabilities made it possible for the increase in total borrowings to be contained to less than R20m, even after capital expenditure of R65m. This left the closing gearing ratio of 71% at year-end, only marginally up on the previous year's 67%.

OK's profits were hit by various adverse factors, particularly in areas of unrest or unemployment, and stores in the affected areas showed marked declines in sales.

With turnover growth of 13,8% to R4,9bn (R4,2bn) being less than the rate of inflation, coupled with prevailing high interest rates, lower levels of fixed overhead recoveries and with higher than normal shrinkage losses accompanying the social instability, performance suffered and operating income was 15,4% down to R37,86m (R68,43m).

Despite net interest payable rising by only 15% and the benefit of an improved effective tax rate, earnings attributable to ordinary shareholders declined by 26,2% to 120,3c (163c) a share, resulting in the dividend total being cut to 63c (86c).

Blacks will want share of action

THE repeal of the Group Areas Act makes commercial, industrial and retail development in black areas possible, says RMS Syfrets MD Pat Flanagan.

However, the inhabitants of these areas are going to want a share of the "equity action".

"Initially, the people will seek to learn from the skills held by the whites, but once this is achieved they will move on their own," Flanagan says.

Until this happens, there will be a period of uncertainty where skills will be bought, with the white property development community playing a part in this development and learning period.

While investment in the townships is taking place — with between R40m and R50m already invested — there will be no rush of development, Flanagan says.

"Smallish office developments will take place to cater for the specialised man or business, with a greater participation by the banks and financial institutions," he says.

This will be a slow pocess, but new markets will develop.

However, for commercial and industrial development to take place, municipal services such as electricity, water and roads have to be installed.

"The CBD has always been the commercial node, and its position will not be affected by the repeal of legislation.

"General services such as lawyers will remain in the city, so people will always need to go there."

The emergence of the mini-taxi industry has made the CBD accessible to the majority of black commuters, which can benefit the CBD and improve its appeal as a commercial node, Flanagan says.

(30)

Dion CE fuels rumours of a sale

MARCIA KLEIN

30

SPECULATION that furniture group Rusfurn was set to sell off Dion was fuelled yesterday by Dion CE Jannie Els.

He told delegates at a Retailing Realities conference that he was currently "more of an expert on mergers and acquisitions" than on retailing, referring to earlier reports that suggested Wooltru was a possible buyer of Dion. B/Day 19/6/91

Dion is one of Rusfurn's star performers, following a rise in both Rusfurn's and Wooltru's share prices.

Industry analysts said yesterday that rumours were rife in the market that the sale of Dion was being negotiated with Wooltru, but warned that "a lot of red herrings are being thrown around".

Rusfurn CE Geoff Austin said yesterday his group was considering all options, but no decisions had been made.

Wooltru CE Colin Hall would not comment on the issue.

In a statement to shareholders last month, Rusfurn announced that details of the restructuring of its funding base would be finalised by the end of June. Rusfurn was believed to have been negotiating with its main bank, Senbank, as well as with Finansbank.

Dutch firm Unigro looks at Checkers

B/Day 3/6/91.

MARCIA KLEIN

DUTCH company Unigro, based in Houten, has shown interest in acquiring Tradegro subsidiary Checkers.

Unigro director Hank Dekker confirmed last week that the group had "visited Checkers". However, he said Unigro was discussing the possibilities "in-house". No offer had been made and negotiations were not in progress.

He said Unigro had 3 000 stores and was established in the Netherlands, Belgium and Spain. Its turnover was 5-billion guilders (R7,3bn) a year.

A source said Unigro was the third- or fourth-largest retail company in the Netherlands, and was known to be aggressive in terms of its acquisitions.

Another source said it was a well managed company, and seemed to be the most promising of the companies interested in Checkers at this stage.

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However, this would obviously depend on what offer Unigro made if it did decide to make an offer, he said.

A third source said Unigro owner and director Eric Albada Jelgersma had visited SA and had spoken to some companies, including Checkers.

He believed Albada Jelgersma had come to SA as part of the Spar International Congress delegation, but this could not be confirmed. The Unigro group had an interest in Spar International.

Checkers' parent company Sankorp has been looking for a buyer for Checkers since March.

British Small Business Minister Eric Forth, right, with Sacob deputy director-general Ron Haywood at yesterday's launch of the Sacob Small Business Forum. Picture: ROBERT BOTHA

'Small business needs govt voice'

SHARON WOOD (30)

SMALL business needs a voice in government, British Small Business Minister Eric Forth said yesterday at the launch of the Sacob Small Business Forum.

He said a deputy minister for small business should be appointed to liaise with government, although this "must not raise expectations unduly highly".

The aim of the newly formed Small Business Forum is to develop the potential for growth in the small business sector and to gather and disseminate information relevant to small business practitioner.

The forum brings together nine organisations including the SBDC, the Small Business Advisory Bureau, the Standard Bank Small Business and Advisory Department and Wits University's Centre for Developing Business. B Day 19/6/91.

Sacob director-general Raymond Parsons said "the challenge is to create a coalition on behalf of small businesses which will provide focus".

But Forth warned there were conflicting interests among different small businesses and allowances should be made.

Small business access to finance was always a major problem, he said, and a solution was to get government guarantees for small business finance.

Recession fails to dent consumer spending

B Day 5/6/91. (30)

MARCIA KLEIN

BUOYANT retail sales bucked the recessionary trend in 1990, with consumer spending holding up well despite a contraction in the economy.

Retail spending has more than levelled off over the last few months. However, recent results from some of SA's major retailers seem to have been unaffected.

The ability of many retail groups to keep their heads above water has been attributed to various factors, including increased black spending, involvement in export markets, retailers providing many essential goods, tax relief, deregulated shopping hours and a relatively mild recession.

Spending

FNB Treasury economist Simon Willson said that in GDP terms, the current recession was comparable with SA's last recession in the mid-1980s, but retail sales over the two recessions painted a different picture. Retail sales "have no more than levelled off compared to the last time, when they took a steep dive".

Old Mutual chief economist Dave Mohr said the current recession had been atypical. However, growth in retail sales over 1990 was up by 1% in real terms while the population was growing at about 2%, so per capita spending was in fact coming down.

The retail sector had kept on growing in real terms but at a low level, and this trend was likely to continue into 1991.

Willson said the resilience of the retail sector was attributable to various factors, one of which was that the sector had a lower exposure to debt and its vulnerability to interest rate fluctuations was much lower than in the last recession.

Also, demand had been "most resilient in some key retail areas, including durables and semi-durables".

This could be pinned down to increased demand from black consumers arising from an adjustment in wages to non-discriminatory across the board levels.

Also, buoyant retail demand had been concentrated on household items arising from increased housing and an extension of services into township areas.

Econometrix director Michiel Bester attributed growth in consumer spending to a rise in wages at rates which were higher than expected with the lower income groups experiencing bigger wage increases than the higher income groups.

This happened in a sufficient number of cases to enable an increase in consumer spending.

Also rent boycotts had contributed to increased disposable income.

He said to a significant degree, growth in the retail sector was due to an increased number of shops.

Recent results from retail companies included results from the last quarter of 1990, when consumer spending was still buoyant.

However, informal reports had shown that there was a fall off in retail sales in the very recent past, he said.

SA Chamber of Business economist Keith Lockwood attributed the increase in consumer spending over 1990 to tax relief last year and the deregulation of shopping hours. With the inflation rate still high and the political situation putting a question mark on the future, many consumers had decided to spend rather than save, he said.

Lockwood said a major factor contributing to retail operations' ability to weather the storm was gearing. Those companies owing a lot and paying high interest were feeling the pressure on cashflow, as many companies had expected interest rates to come down a lot earlier than they did.

JCCI plans trade mission to Europe

(30)

B/Day 5/6/91

ZILLA EFRAT

IN AN atmosphere marked by the softening of sanctions, the Johannesburg Chamber of Commerce and Industry (JCCI) will be taking its first trade mission to Europe since 1986.

The September mission to Portugal, Spain, Belgium, France and the UK is the latest in a number of trade missions planned for SA exporters to countries now showing a growing interest in SA.

This interest has also led to a rush of foreign missions to SA.

JCCI says among those due in SA shortly are delegations from Brazil, Chile, UK, Portugal, Belgium and Madrid. In addition, representatives or small groups are expected from Zaire, the Madrid Chamber of Commerce, Australia, Austria, China, Hungary, Madagascar and Reunion.

Safto says a group of Finnish businessmen will visit SA at the end of this month and a group of Danish businessmen are set to arrive in October. In addition, a mission from the Soviet Union's Chamber of Commerce and Industry will come to SA at the end of June.

An Argentinian commercial delegation from the SA-Argentinian Chamber of Commerce arrives in Johannesburg today for a 13-day visit.

Already in SA is a Belgian-SA Chamber of Commerce trade delegation, the second in a series of trade missions to SA planned by different Belgian interests.

In addition, the first officially sponsored British mission to SA since 1985, organised by the UK SA Trade Association, is currently in SA, as is a mission from the Portuguese Chamber of Commerce and Industry.

And a number of trade missions to foreign markets have been planned. This month, Safto will undertake an inaugural visit to the Soviet Union and Finland. It also has group visits planned for Kenya and Angola.

Other countries which Safto groups will visit this year include South Korea, Thailand, China, Egypt, Scandinavia, Turkey, Bulgaria, Columbia, Panama, Venezuela, Singapore and Australia.

Reuter reports that a Dutch trade delegation of 25 senior ministry officials and company representatives will visit SA from June 22 to 29 to explore investment opportunities, the Dutch Economic Affairs ministry said yesterday.

The delegation will meet Finance Minister Barend du Plessis and other senior politicians.

Tradehold releases unbundling details

BDay 21/6/91 30

MARCIA KLEIN

SHAREHOLDERS of Tradegro and Tradehold will be offered shares in Metro, Cashbuild and Premier, as well as cash, in terms of the unbundling of the two pyramid companies in the Sankorp stable.

Releasing details of their reorganisation, retail giant Tradehold and its pyramid Tradegro announced they would distribute the shares held in Metro, Cashbuild and Premier to their shareholders, and partially redeem and convert their convertible debentures and preference shares into ordinary shares.

This would result in Tradegro holding Checkers, Coreprop and the department stores (Stuttafords/Greatermans) as its only wholly owned subsidiaries, as well as about R75m cash.

Tradehold's major asset would be its 54,6% holding of Tradegro, and it would also retain shares in each of the distributed companies to fund the repayment of short-term liabilities. The unbundling would be completed by the end of July.

Directors said this would simplify and streamline the corporate structure, increase shareholders' wealth and provide them direct participation in each of the distributed companies.

Tradegro ordinary shareholders would be entitled to 5,2 Metro shares, eight Cashbuild shares, 1,3 Premier shares and a cash payment of R5,40 for every 100 shares held.

Tradegro convertible instrument holders would have their paper converted into Tradegro ordinary shares on a one-for-one basis and a cash payment of 8c for every convertible instrument, as well as interest and dividends.

Tradehold ordinary shareholders would receive three Metro shares, four Cashbuild shares and one Premier share for every

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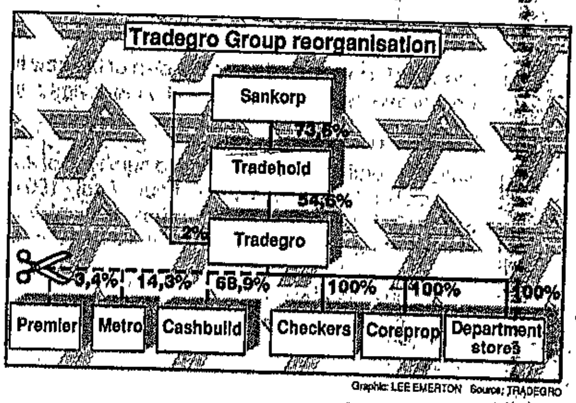

Graphic: LEE EMERTON Source: TRADEGRO

Tradehold

BDay 21/6/91. 30

☐ From Page 1

100 shares held. Convertible instrument holders' convertible shares and debentures would be converted into Tradehold ordinary shares on a one-for-one basis, and they would receive cash of 8c for every convertible debenture of 135c and 5c for every convertible debenture of 103c.

Shares in Cashbuild "have gone all the way to the shareholders", Sankorp GM investments Etienne le Roux said yesterday.

Earlier announcements said that on completion of the unbundling, Sankorp would hold 42% of Cashbuild, 48% of Checkers/Coreprop, 36% of Metro and 47% of Stuttafords/Greatermans, and that after unbundling, Sankorp's interests in Checkers/Coreprop, Metro, and Stuttafords/Greatermans would be sold.

Since those announcements, Tradegro has agreed to sell 70% of its interest in Metro to Premier and Smart Centre and Frasers mine stores were sold to Pepkor for R31m and R13m respectively.

The group structure before the proposals — assuming conclusion of the Metro deals — sees Sankorp holding 73,6% of Tradehold, which holds 54,6% of Tradegro.

Tradegro's investments prior to reorganisation are 3,4% of Premier, 14,3% of Metro, 68,9% of Cashbuild, and 100% of Checkers, Coreprop and the department stores.

Le Roux said it was still Sankorp's intention to sell holding company Tradehold, which would result in a change in control of Checkers and Coreprop. He added that he was not talking to anyone at the moment on the sale of Checkers.

'Violence will ruin business'

Sowetan 5/6/91

30

By JOSHUA RABOROKO

VIOLENCE threatens to destroy South African business, director of Afsure Brokerage Company Mr Kehla Mthembu said yesterday.

Delivering a keynote address at the annual conference of the Inyanda Chamber of Commerce, Mthembu said: "The violence that has permeated our communities has the capacity to destroy social fabrics, deplete business potential and set us many years back."

He told the conference that the country was experiencing one of its worst depressions.

"The value of our money has become a laughing stock compared to other currencies in the world," he said.

"This effectively rules us out as meaningful players on the international scene.

Inflation

"The rate of inflation has been steadily soaring to such an extent that most basic living requirements have been rendered out of reach for the man in the street.

"The workers are continually loosing their jobs as most companies have begun various processes of rationalising, retrenchments, streamlining and down-scaling them.

"Small business is also under pressure as cashflow situations make it difficult for them to plan."

Mthembu said the education system was still inadequate to meet the demands of the majority of the population.

He also said the "threat of Aids is definitely with us".

He urged the black business community to make it their responsibility to find solutions to these problems.

"We need to survive the political scene, which is going through the worst blood-letting orgy ever witnessed in modern times," he said.

VAT a blow to business, say black traders

C/Press 2/6/91

30

By DERRICK LUTHAYI

BLACK businessmen are disgruntled with VAT which they claim will have a negative effect on their business, Southern Transvaal Chamber of Commerce (Soutacoc) president Joe Hlongwane said this week.

Addressing Soutacoc's 21st annual conference Hlongwane asked deputy Finance Minister Theo Alant – a guest speaker at the conference – to convey to the government his organisation's grievances over the new tax system.

Hlongwane said many of the black businessmen affiliated to Soutacoc knew very little about VAT because the government had not educated them. Many of these businessmen would default with the law and thousands of small traders would go bankrupt as a result of this, he said.

"Let the government write off all GST assessment before we go into VAT.

Unfair

"We should be exempted for at least two years from the unfair huge assessments the inspectors of the Receiver of Revenue imposed on our businesses," said Hlongwane.

Earlier Alant had said that VAT would create a sound economy.

He said that despite the risk of VAT creating more tension in an already tense society, it was the responsibility of the government to introduce the new system because it would do away with sales tax on business purchases not meant for resale.

VAT eliminated double taxation, reduced manufacturing and distribution costs, assisted business in containing price increase to the benefit of both local consumers and important export effort, and did away with the distorting effect GST, he said.

In his presidential address, Hlongwane said liberation was on the doorstep and racial discrimination was on the way out.

"The coin of freedom requires that all individuals be given the right and opportunity to take control and responsibility for their own lives and to act creatively, work hard, take risks, create goods, provide employment and enjoy the fruits of their endeavours in equal measure – and thereby increase the wealth of the country and its people.

"The government, present and future must recognise the vital importance of economic freedom and self-reliance of the individual.

"We also draw attention to the punishing effects of past laws and the continuing violence – and the consequent need to rehabilitate and support entrepreneurs in a substantial way to underpin a future, sound, free enterprise system."

PAC deputy president Dikgang Moseneke told delegates that economic empowerment does not occur in a political vacuum.

Development

National political self-determination and democracy were primary aims, but could be hollow victories without appropriate economic development.

"Our struggle for the liberation of the African people is not only for political liberation but also for economic empowerment of all the people of our country.

"It is primarily a struggle against poverty, ignorance and disease.

"In short our struggle is one for the total well-being of our people" he said.

ANC chief information officer, Pallo Jordan, said that South Africa belongs to all who live in it, black and white, and that no government can justly claim authority unless it is based on the will of all the people.

Carletonville boycott over march refusal

Star 28/6/91

(30)

The Carletonville branches of the ANC and Cosatu have been boycotting the town's shops this week after the Conservative Party-controlled council refused permission for the labour federation to hold a protest march last week.

In a joint statement yesterday, the organisations said that not even intervention by Cosatu lawyers could persuade the council to change its decision.

"Cosatu and the ANC were, therefore, left with no alternative but to resort to the only weapon at their disposal, that is withdrawing their buying power from the racist Carletonville town," the statement said.

The organisations said the people of Khutsong township, and surrounding mines, also demanded the following:

- A single, nonracial and democratically elected town council.
- Freedom of political expression and association.
- An end to all racial segregation.
- The resignation of Khutsong town clerk W Kronk.

"The consumer boycott, now in its fourth day, will continue until all the demands have been met.

"Transport arrangements have been made for people to shop at the nearby towns of Westonaria, Randfontein and Johannesburg," the statement added. — Sapa.

Star 14/6/91

Businessmen decide to fight boycott

A group of white Potgietersrus businessmen have decided to decrease the working hours and salaries of black workers in relation to the effect on businesses of a consumer boycott.

The decision was made at a meeting yesterday during which a committee, Action Business Survival, comprising businessmen and professionals, was appointed.

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A statement said white businesses could not absorb losses caused by the boycott, which begins tomorrow.

It was decided, for the sake of "favourable" employees, that steps for "business survival" should cause the least amount of disruption for employers and employees. However, "drastic steps" would be considered if the boycott continued.

The meeting also objected to the Cosatu march through Potgietersrus tomorrow because of the potential for conflict and because there was no guarantee that property would not be damaged. — Political Reporter

Shopkeepers still charging GST on bread

(30)

By John Miller
Star Line Star 14/6/91

Three months after the scrapping of GST on all bread except rolls, rye and raisin loaves, the Johannesburg Receiver of Revenue is still receiving complaints from consumers.

The major culprits appear to be cafe owners and smaller bakeries.

Following the scrapping of the controls on bread prices, some shopkeepers are charging up to R1,20 for half a loaf of white bread. Others, who have charged GST illegally and have been reported to the Receiver, simply increase their prices by 20c or 30c.

Lynn Morris of the Housewives League said the league was still receiving complaints of cafe owners charging GST and shopkeepers who suddenly increased prices after being reported to the Receiver.

She advised comsumers to warn shopkeepers who increased prices that they were aware of their conduct.

Govt votes R75-m for the SBDC

Star 13/6/91.

An amount of R75 million was being made available to the Small Business Development Corporation to enable it to continue and expand its important activities, it was announced in Parliament yesterday.

But during the debate on the Supplementary Budget, Dr Frans Jacobsz (NP Helderberg) said the Government should give attention to long-term financing of the corporation. The ability of the SBDC to grow depended on the amount of funding it received from the Government and the private sector.

The Government was making its contribution, and he hoped that the private sector would continue to provide funds so that the SBDC could expand its activities.

"The potential market it serves is far larger than it can meet with the finance it has available," Dr Jacobsz said.

This was ascribable in large measure to the uncertainty in the SBDC over the availability of financing in the long term, a matter which should receive the attention of the Government.

The more business undertakings that were created among less privileged people, the more rapidly would there be success in distributing wealth according to merit and raising the living standards of all. — Sapa.

Beares planning 50 stores in black areas

Star 13/6/91

By John Sherrocks (30)

DURBAN — Furniture retailing gaint Beares is to act on its conviction that the black market will dominate sales growth.

The group has launched a major expansion plan that will see more than 50 new stores being opened in predominantly rural areas in the next two years.

The move, which runs against the sector's general trend of sitting tight, will see the chain setting up, in many instances, in new areas in which competitors are already well-established.

Hymie Sibul, chairman of the Beares and Clobea, the holding company of black clothing chain Bee Gees, forecasts that the imminent take-off in low-cost housing will have mammoth spin-offs for furniture traders.

Areas in which the new stores are to be opened include Transkei, Qwa Qwa, Bophuthatswana, Swaziland and Lesotho, in addition to many rural areas within South Africa.

Although opposition groups are established in a number of the group's traget areas, the markets are very lucrative, says Mr Sibul.

Blacks at present make up about 52 percent of the group's customers.

Individual spending power in this sector has, on average, doubled in the past three years, he says.

"We are not looking to have the most stores," says Mr Sibul.

"We are now doing 15 percent bottom line to turnover — the money that buys the whiskey — and we intend keeping it.

"The key to our business is not turnover, but the quality of the book."

By having a wide base, which covers rural and urban areas, risks will be spread.

Reflecting group thinking is the Bonus Hardware Store, established among a cluster of furniture stores in the Durban CBD's West Street.

Branded as the first hardware outlet in SA to offer up to 24 months' credit, the pilot project opened last September.

To date only three customers have defaulted on payments, with bad debt totalling a mere R2 000.

Mr Sibul is confident that a second store will be opened in Natal soon.

Brakpan boycott colour-blind

Star 12/6/91

(30)

By Clyde Johnson
and Shareen Singh

Businesses in Brakpan, including ones owned by ANC members, are being severely affected by a consumer boycott called more than a month ago.

According to a representative of the Black Traders and Professionals Association (BTPA), black and white businesses are suffering equally, and some shop-owners have indicated that they might have to close down.

When the BTPA approached the ANC to discuss the issue, it was told that the boycott had been called to pressure the CP-controlled town council to upgrade facilities in Tsakane and Geluksdal townships.

A BTPA representative said he believed this unfair, as black businesses could not be held responsible for the right-wing council's attitudes.

● The consumer boycott in Nelspruit, called by the ANC last week to force the Government to release prisoners described as political, appears to be losing momentum.

The shops mainly affected seem to be bottle-stores, supermarkets and some clothing stores, but fast-food outlets, cafes, take-aways and bakeries say it is business as usual.

Scores of innocent shoppers have, however, had groceries and other items destroyed by "intimidators".

A shopkeeper has claimed that a middle-aged woman in Promenade Square, close to the ANC offices, wept as two young men destroyed her groceries.

Shopkeepers at Barberton, White River, Malelane and Komatipoort report slight drops in turnover.

People will move back to cities

Star 28/6/91

(30)

The 1990s will see the repopulation of the city centres, according to a property economist.

This will be in sharp contrast to the 1970s and 1980s, which were characterised by commercial property development moving away from the city centres and creating separate satellite CBDs such as Sandton City.

Property consultants are already reporting a noticeable surge of new property development or refurbishment in the main CBSs throughout the country, and particularly in Johannesburg.

The drift back to the cities also indicates that developers are acknowledging the socio-political changes taking place.

"The creation of free trading areas and the dismantling of regulatory controls represent tremendous challenges and scope for innovation and flexibility in commercial property design and development," said a mid-city property consultant.

The Syfrets Group has stated that it believes developers will have to consider a somewhat different commercial environment and mix through the 1990s to be able to accommodate the greater urban inflows.

Syfrets has thus focused its activities on addressing the particular financial needs of clients with commercial and industrial interests.

The company pioneered the creation of the participation mortgage bond instrument. The group accounts for about 35 percent of all lending by this route in the country.

The philosophy expressed by executives of the company is that to keep ahead the merchant banking element of property financing has had to be flexible, dynamic and innovative.

Foschini buying into major UK fashion group

Star 27/6/91

30

By Ann Crotty
Investment Editor

Foschini looks set to contribute £23,5 million to £27,5 million to help fund the cash offer of 185p a share that Oceana is making for the 72,11 percent of Etam it does not already hold. Etam is a UK-based fashion retailer.

The offer follows an ultimatum to Oceana from the London takeover panel.

The deal will result in Foschini acquiring a 50 percent stake in a retailing operation that has 251 outlets and in the 12 months to end-January '91 achieved a turnover of £206,5 million.

On the basis of Etam's recent share price history and its earnings record over the past few years, the 185p offer could either be deemed to be extremely generous or a very long-term investment.

Oceana's current 28 percent stake in Etam was bought at between 64p and 185p.

On the back of speculation about Oceana's interest in Etam, the share price has increased by 220 percent since June '90, compared with an increase in the FT Stores Index of only 23 percent.

Over the last four years Etam's floor space has increased by 155 percent, while net trading margins have fallen by 70 percent.

For financial '91 the group reported earnings of 7,51p — down from 16,7p in the previous year.

Its end-January net assets were £72 million.

That Oceana is prepared to pay such a hefty premium for Etam (a P/E rating of 24,6 times) suggests that it is extremely optimistic about its prospects for a turnaround.

According to today's announcement, the Oceana board believes that Etam's weak trading record is due not only to the recent downturn in UK retailing, but also to ill-timed strategic decisions by the Etam board.

"Oceana intends to consolidate Etam's core business, rationalising where necessary and making it more productive through the introduction of up-to-date information technology based on software developed within the Foschini group."

This means that Oceana intends to apply the sort of strategy that has made Foschini such a powerful profit generator in SA where it is regarded as the leader in merchandise technology.

The offer will be made by ORE, an Oceana subsidiary that has been formed for the purposes of the Etam transaction.

The offer is worth about £87 million in cash and values Etam at around £121 million.

The £87 million cash consideration will be funded by the issue of ORE ordinary and preference shares to Oceana (£45 million) and a consortium of UK institutional investors (£31 million).

The remaining £11 million will be part of a medium-term loan from the Swiss Bank Corporation.

In turn, Oceana will be attempting to raise £47 million to £55 million through two rights offers.

The first offer will be for 14,4 million new shares at £3,25 per share. Oceana shareholders will be offered 24 new shares for every 10 now held.

The second offer is for an additional 2,4 million shares at £3,25 a share with four shares offered for every 10 now held.

The Lewis family will not be following its rights. These will be taken up by Foschini, which will then hold 37 percent of the enlarged Oceana.

New outlets planned as the Clicks group expands

LIZ ROUSE

(30)

RETAIL group Clicks is expanding its existing core of business, largely by opening new Clicks and Diskom outlets. B/Day 10/6/91

A further 10 Clicks and 20 Diskom outlets are planned to open this year. In addition, the group will be refurbishing stores to ensure that they maintain a high level of excellence throughout SA, says MD Trevor Honeysett in his annual review.

The group plans to expand Clicks and Diskom to 400 stores within five years.

Greater emphasis will be placed on national promotions aimed at underlining and enhancing Clicks's reputation for providing the shopper with quality, selection, service and value.

Diskom is being made more accessible through a greater number of outlets and will offer consumer benefits including improved product ranges.

In the year to February Clicks notched up its best results yet. The group surpassed the R500mthreshhold by 10% with a turnover of nearly R552m. It opened the greatest number of new stores — 15 Clicks and 16 Diskom — bringing the combined number of stores to 165.

Attributable earnings rose by 25% to R20,5m, which translates into earnings of 102,29c a share (81,82c) and total payout was raised by 26,5% to 43c (34c).

INDUSTRIAL LAND (30) FM 21\6\91

DURBAN NEEDS ROOM TO GROW

Durban is said to be one of the fastest growing cities in the world. But urban planners say its growth, in terms of providing enough jobs for its expanding population, is being stifled by a chronic shortage of suitable industrial development land.

This has led industrialists to cast their eyes over the hundreds of hectares of State-owned property that are largely under utilised in the greater Durban area.

Two sites being targeted are the Department of Transport (DoT)'s Louis Botha Airport, south of the city, and the proposed airport site at La Mercy on the North Coast.

Work on a new international airport at La Mercy to replace Durban's outmoded Louis Botha was stopped at the earthwork stage in the mid-Seventies when funds ran out. Government has made no headway with new or alternative plans since then.

Industrialists want the department to stop dithering and rezone at least one of the sites for industry. They would settle for either, though Louis Botha is a natural extension to the industrial area south of Durban.

Industrial land is at a premium around Durban and, with little new land available for development, rentals are pushing through the R10/m² mark. The land shortage is now starting to hurt the local economy.

Industrial and Commercial Property Group's Chris Winter says: "Smaller concerns that cannot absorb rent increases are already beginning to move out of Durban. The situation will get worse if there's an upswing in the economy or if interest rates drop."

New investment in Durban, particularly by manufacturers who want to set up operations near the port, is being hampered by the land shortage and high rentals. Winter says some of his clients have chosen to locate on the Reef and pay the transport costs to Durban because they can get better deals and more suitable sites in the Transvaal.

"It would help Durban tremendously if the department either went ahead with its proposed La Mercy airport, so releasing land at Louis Botha for industrial development, or upgraded Louis Botha and sold the La Mercy site to industrialists. By doing that, government would recoup a lot of its costs," Winter says.

What does the department say? The short answer is "no way." But there might be hope in the long term if plans to commercialise the country's nine State airports proceed next year.

The DoT's Stuart Huckwell says government is not prepared to consider releasing land at either site at this stage. But he has just completed the first of a two-part study that assesses the present and future capacity of Louis Botha, which he will be handing to Transport Minister Piet Welgemoed shortly.

The second part of the study will project the growth rate in passenger traffic at Louis Botha. After this is completed this year the department will be able to decide whether to expand Louis Botha or to develop a new airport at La Mercy.

"We hope to present government with scientific and engineering evidence of what Louis Botha's future demands will be, giving a figure, in today's terms, of what it will cost

 (30)

to develop the airport to meet expected passenger growth," Huckwell says.

He is unable to divulge the contents of his initial report until it has been seen by government. But the history of the saga suggests that the State will probably continue injecting funds into Louis Botha to enable it to cope with increasing demand, while it holds on to its La Mercy site to keep its options open. FM 21/6/91

The latest projected completion date for the new airport is 2011.

This is not encouraging news for those who want to see idle airport land rezoned for industrial use. But one glimmer of hope is the scheme announced this year by former Transport Minister George Bartlett to commercialise the country's airports.

Says Huckwell: "Government intends making airports separate and self-financing business entities, free to take loans on the capital market and attract private sector investment to finance development."

He says a profitable airport authority could raise sufficient funds from both the market and private investors to develop a new airport, such as La Mercy. "Insufficient funds have been the reason for La Mercy not going ahead. This may change once airports are commercialised," he notes.

Industrial developers, however, should not expect too much. Transnet, with the possible exception of its harbour division Portnet, has not been quick to capitalise on commercialisation or put its surplus land to use.

The most probable outcome is that the DoT will eventually sell its La Mercy site to industrial developers.

There is a view that socio-economic projects are more critical at the moment than building state-of-the-art airports. In future, public expenditure is more likely to be channelled into housing, education and health facilities.

Meanwhile, Durban developers may have more luck persuading Spoornet to sell some of its land for industrial development. The organisation has set up a property division and has indicated that it will consider selling off surplus land to private developers.

Spoornet, for example, owns a large tract of land near Durban's Springfield Industrial Park, one of the most successful industrial parks in the country.

Developers would love to get their hands on it, but Transnet's property manager for Natal, Roland Bohmer, says it is earmarked for a rail link from Inanda to Durban, and a multimodal interchange for transferring rail and road goods.

However, he says: "While both projects are in the pipeline, significant finance is involved, and if one or both projects is shelved the land could become available for development."

That, of course, does not guarantee that the land will be sold to private developers. Bohmer says Spoornet is considering three options: undertaking its own development, joint development with the private sector, or selling the land. ■

Black buying boom boosts busy Beares

S/Times (Bus Times) 9/6/91.

By IAN SMITH 30

FURNITURE giant Beares disappeared from the JSE boards after its incorporation in Durban-based Prefcor group about 2½ years ago.

But, benefiting from a surge in black spending, it is a growing force in the market.

Executive director Hymie Sibul, a former managing director of the Dion discount chain, can see no end to the black spending boom. "If we could, we would be proceeding more cautiously," he says.

He plans to open 56 furniture stores in the next two years.

With the 58 stores the group has opened in the past two years, the chain will have 240 furniture outlets by the end of 1993.

Most of the new outlets will be in rural areas.

At the same time, the group plans to increase its Bee Gee clothing chain from 62 shops to about 90.

The group is heavily committed to the black market, the furniture stores offering 24 months' credit. The clothing shops give six months. In spite of inflation and other pressures on consumer spending, business is booming.

Secret

In the past five years the furniture sales mix has switched from 30% black to 65%. The clothing chain makes more than 95% of its sales to blacks.

Mr Sibul will not give figures, but says: "We have almost trebled last year's profit on furniture. Profits on clothing have also risen.

"We are looking at a bottom line of 15% on turnover. That is what we are doing now — about twice the performance of some of our competitors."

There is no secret about the good performance. The answer lies in the control of credit.

"The quality of the book is what matters," says Mr Sibul.

In the Beares and associated furniture stores debt write-offs are down to 1,3%. They are a bit higher in clothing, but it is more difficult to keep tight control in that business.

When Prefcor set up joint venture company FirstPref with First National Bank last year to advance consumer credit, manage the debtors' book — without recourse — and finance stocks a ceiling of R600-million was put on furniture credit.

"If it needs to be increased we only have to talk to First National Bank," says Mr Sibul. "Nine months down the line everyone is happy about the way the arrangement is working."

Financial director Len Waldeck says control of the book is critical.

"We must have the right calibre people. We pay more than the going rate to hire the right credit controllers."

He says credit management systems developed over the years identify the customers who are regular, slow or delinquent payers within three months.

"Slow and delinquent payers' accounts are moved to a separate section where special staff chase up payments without upsetting the customers."

The aim is not to drive a customer away for good.

The final key factor is to adhere to performance measures, says Mr Waldeck.

The group looks for the

HYMIE SIBUL: On a winner

same arrears rate from white, Asian and black customers.

"The quality of our book was the reason why we were able to do the deal with FNB."

Mr Sibul says the sheer size of the black market, with the products of a baby boom generation entering the buying phase, will ensure that consumer demand remains high.

"When a black family gets a house, the first item it buys is furniture. Blacks go to great lengths to add to their furniture. Their aspirations in clothing are also high."

Mr Sibul's confidence in black spending has encouraged the group to open a pilot shop which sells basic building and do-it-yourself materials.

"My instincts tell me we are on a winner here," he says.

New bank to target on black business

CT 25/6/91
30

Own Correspondent

JOHANNESBURG. — A new bank, aimed at competing with major existing banks by drawing billions of rands from black businesses, trade and consumer organisations, is to be launched in August and is expected to open for business in October.

The bank is a joint venture by Wesbank and the Foundation of African Business and Consumer Services (Fabcos). It will be headed by Mr Gaby Magomola, former African Bank chief executive and the present chairman of Fabcos Marketing.

The Fabcos link opens up great potential business for the bank — from taxi associations to taverners and savings organisations.

The 24 000 stokvels affiliated to the National Stokvels' Association — a Fabcos affiliate — are expected to channel their R7 billion funds through the new bank.

The stokvels association is one of 14 black trade and consumer organisations affiliated to Fabcos. All are likely to support the new venture.

It is understood the bank's corporate offices will be at Bank City, First National Bank's new headquarters under construction here. Wesbank is a wholly-owned subsidiary of FNB.

Branches of the new bank will be set up in major centres throughout South Africa, a move which could sideline the African Bank which has failed to make any impact in its natural market, the townships.

The new bank will also be a formidable opponent for national banks operating in the black community.

Wesbank spokesman Mr Neville Watchurst said yesterday that nothing had been finalised, and refused further comment. Fabcos media manager Mr Fanyana Shiburi said only Mr Magomola could comment on the issue and he was not available.

It is understood, however, that Mr Magomola and two Wesbank officials, Mr Ronnie Watson and Mr Watchurst, have worked on the project for 14 months.

Sources say the bank's operations will aim at using stokvel money and black savings to stimulate entrepreneurship in the townships. The Fabcos affiliates, with a membership of 1,3 million, will be the core of the bank's client base, while the stokvels provide the cash to make these loans.

Its main and guaranteed business will be the funding of blacks to buy minibus taxis. The SA Black Taxi Association is Fabcos's main affiliate and is solidly behind the establishment of the bank.

Business leaders team to exploit African opportunities

(30) ARG 27/6/91

By TOM HOOD, Business Editor

LEADING businessmen in South Africa, Germany and England have taken an equity stake in Lawfin, the low-profile Cape Town-based financial services group that has been an active player in the country's foreign borrowing programme over the past 16 years.

Lawfin has expanded to exploit exciting opportunities now arising in Southern Africa, says executive chairman and major shareholder Mr Lawrence Miller. who founded the company in 1975.

He says the expansion entails the formation of a group, under the name of Lawfin International, with offices in Cape Town, the Channel Islands and London.

This also involves a select few European businessmen as shareholders and consultants, extending the company's international network and skills.

A permanent London office will be opened by the South African Ambassador, Mr Kent Durr, on July 3.

"FIS Corporate Services will have 15 percent and other local shareholders 5 percent of Lawfin International, with foreign shareholders gradually increasing their interest from 14 percent to 25 percent," said Mr Miller today.

The South African non-executive directors are Mr Jeff Leibesman, chairman of FSI, Mr Howard Mauerberger, chairman of Bergers Group, and Mr Barney Hurwitz, chairman of Clinic Holdings.

The managing director, based in Cape Town, is Mr Nigel Palmer, whose 16 years in international banking and treasury experience in London included spells at Morgon Grenfell, EBC Amro Bank and Arab Banking Coprporation.

"Our focus will be on sourcing and negotiating new foreign loan and trade finance for Southern African borrowers and exporters, structuring and advising on longer term interest and cross currency swap transactions, identifying investment and joint venture opportunities in South Africa, and foreign debt standstill advice and trade," said Mr Palmer.

Mr Miller, who estimated Lawfin was instrumental in initiating up to 10 percent of South Africa's medium-term international borrowing by the mid-1980's, said political developments were helping in reopening the international financial markets to South Africa.

"I felt the best way to capitalise on the international contacts and skills enjoyed by Lawfin was for me to dispose of up to 45 percent of Lawfin's equity to a few significant, strategically located investors who would support their stockholding with long-term loans and new business."

As a result foreign directors are Mr Roland Berger, chairman of a leading German management consultancy, Mr Adolf Kracht, retired partner of a German private bank, Mr Manfred Sadlowski, chief executive of Monch publishing group, Dr Dieter Schulz, German partner of the Euram international group of management consultants, Mr Michael Comninos, recently retired director of N M Rothschild & Sons, Mr Robin Bigland, managing director of Isle of Man Assurance, Mr Alfred Legner, senior partner of Lecham Partnership, international corporate finance specialists in London and Mr Shlomo Grofman, chief executive of Africa-Israel Investments, one of Israel's major listed companies.

London-based executive consultants are Mr David Hilbery, until recently chief executive of the consortium bank, Internatial Commercial Bank, and Mr Brian Piercy, who had 40 years with National Westminster Bank.

Fewer paying bills (30) theft mounting

ARGUS 14/6/91

From DEREK TOMMEY

JOHANNESBURG. — People in record numbers are not paying their bills, while others are engaged in defrauding or stealing from their employers and the public.

This emerges from a survey by Kreditinform of the current state of consumer debt and the crime rate in today's climate of sharply rising unemployment and growing financial hardship.

Mr Ivor Jones, managing director of Kreditinform, said that in March alone debt judgments against consumers reached a record R180 million, a figure he believed seriously understated the real position.

Companies were taking a tougher line with defaulting customers, he said.

They were suing for debt or calling in sureties where previously they would have written off an unpaid amount.

But they were still not taking all their debtors to court, with about 25 percent probably not being sued.

Businesses themselves were increasingly getting into debt. Judgments against firms were running at record levels, amounting to R24,7 million in March — half as much again as in March last year.

Mr Jones said the problem was that firms gave too much credit without investigating the debtor's ability to pay.

Also companies often sought growth by extending credit and then mismanaging the repayment procedures.

He expected the number of consumer and company debt judgments to rise in the coming months.

Retailers and wholesalers were suffering from high stock levels owing to diminished sales on the one hand, and a reduced cash flow on the other.

This led them to make slow payments or no payment at all.

In turn, this put intense pressure on manufacturers, faced with lower orders, reduced cash flow and increased bad debts.

Businesses in this situation needed to take remedial action before their situation further deteriorated.

Mr Jones said firms should identify their financially stronger customers and be prepared to give them extended credit, while being careful about doing business with weaker customers.

He said there were signs of an increase in the amount of fraud being perpetrated and also in straight theft, but no statistics were available.

This view was confirmed recently by Mr Raymond Ackerman, chairman of Pick 'n Pay, when he told shareholders that crime was on the increase.

One reason the giant food retailer did not meet its profit forecsast for 1990-91 was the increased rate of shrinkage — a word used in the trade to account for the disappearance of goods from the shop floor.

He said shrinkage was higher in terms of sales because of an increase in the general crime rate countrywide and the fact that in some areas the company's systems were not adhered to as closely as they should have been.

Small business feels the squeeze

ARG 29/6/91

JEAN LE MAY

Weekend Argus Correspondent

BIG business, trade unions and the bureaucracy combine tunefully in the chorus of praise and encouragement for the informal sector.

However, a Weekend Argus inquiry this week found there are times when the chorus changes its tune to lip service.

This is most obvious in the activities of the industrial councils which have the power to exempt applicants from paying wages and observing other conditions negotiated under the Labour Relations Act.

But they are known to have refused exemptions arbitrarily — in spite of pleas from Manpower Minister Mr Eli Louw for leniency towards small business.

The radical trade unions, who are often part of the picture, are ambivalent about small business: they want more people to be employed — but object to exemptions for fear of exploitation.

So they support employers in council decisions to refuse exemptions, leaving the small businessman in the middle.

The Small Business Development Corporation (SBDC) has in fact claimed that an industrial council is undermining its work.

One small businessman, Mr Abraham Adamson of A & A Motors in Athlone, ventured too far on to the dangerous ground between the bureaucracy, the trade unions and vested interests.

He now stands to lose his business — which means that his seven workers will lose their jobs.

"All I was trying to do was make a decent living for my family," he said.

This is what happened. In 1988 Mr Adamson, now 51, was retrenched by a Cape Town electronics company.

He started a back-yard motor spares and repairs business at his home in Heideveld.

"But there were objections to the noise and I had to move to a shop in Virgo Centre, Athlone, where I pay rent of R1 250 a month," he said.

"I explained to my workers when I hired them that I couldn't pay high wages and they accepted it just to have jobs," he went on. "But I do my best. One of my workers, an untrained man from Transkei, is earning R200 a week."

By the end of last year Mr Adamson was employing 14 people and had an average annual turnover of R12 000 to R17 000 a year.

Then trouble struck. Two of his workers — both night watchmen — complained to the Transport and General Workers' Union that he was under-paying them.

"The problem was with overtime," said Mr Adamson.

The union reported this to the West-

Red tape may force entrepeneur to close shop

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ern Cape region of the National Industrial Council for the Motor Industry (NICMI).

"Somebody" from the council telephoned Mr Adamson, he said, and demanded "about R3 000" in back pay for the two workers before the end of December, 1990: if he did not pay he would be taken to court.

"They said I should have paid higher wages plus overtime and that I must pay all sorts of other things as well, levies and pension funds and so on," he said.

"I'm struggling to survive. I got rid of seven workers because of the uncertainty."

Mr Adamson went to the SBDC for advice. The SBDC referred him to one of its consultants, who set up a simple book-keeping system for him.

Advocate Mr Johan Naude, a senior manager of the SBDC, then applied to the Western Cape region of the Industrial Council for the Motor Industry (NICMI) on Mr Adamson's behalf for exemption from certain requirements of the Labour Relations Act.

This exemption enables small business people to run their affairs without having to pay wages laid down in negotiated agreements and without complicated and expensive red tape.

The exemption was refused. The SBDC then appealed to the head office of the NICMI in Johannesburg against the refusal; the appeal is still pending.

At the same time, Mr Naude asked the Cape council to hold back the summons until the appeal procedure was completed. The council refused.

In March this year, summons was issued by the NICMI and later judgment taken for the sum of R3 242,66. On June 19 the deputy sheriff removed 20 gearboxes and other assets from Mr Adamson's shop for sale in execution.

The SBDC is frustrated by the actions of the council.

"The Department of Manpower is relying on industrial councils to accommodate small business," said Mr Naude.

"Moreover the Minister has instructed the National Manpower Commission to investigate the accommodation of small business in terms of labour legislation.

"But no attempt was made by the Industrial Council to bring together the parties in order to reach a settlement. Instead, they threw the book at Mr Adamson.

"The council took a totally dogmatic attitude. A & A Motors is one of the companies which should be considered for certain exemptions. The whole object is to deregulate small business, to bolster the economy and create employment."

Weekend Argus asked the Minister of Manpower, Mr Eli Louw, for comment. He confirmed through his liaison officer, Mr Johan Muller, that the report of the investigating committee was being studied.

Mr Louw visited industrial councils throughout the country and appealed to them to be accommodating and lenient to small business, said Mr Muller.

UNDER PRESSURE: Small businessman Mr Abraham Adamson. Red tape could strangle his thriving motor repair business which he started from his back-yard in 1988 when he was retrenched from an electronics company.

Krugersdorp traders on a knife-edge

30.

By Gien Elsas
West Rand Bureau

Star 3/6/91

Krugersdorp shopkeepers are waiting to see if business will improve after the Traders in Crisis Committee made an urgent appeal to temporarily halt the boycott.

All shopkeepers in Krugersdorp have suffered tremendous losses after a decision by the Boycott Committee more than a month ago that no black trade would be tolerated in the CP-controlled town.

A large percentage of the traders affected by the boycott have been Indian businessmen — the same men who provided food and shelter to hundreds of refugees following the Swanieville squatter massacre early in May.

These men say that their business has fallen by up to 90 percent.

At the start of the boycott, a Traders in Crisis Committee was formed to try to find solutions to the demands made by the boycott committee.

Last Monday a meeting was arranged by the West Rand Chamber of Business. Representatives of various parties were there except, apparently, members of the ANC, Inkatha and the Boycott Committee.

One of the decisions taken at this closed meeting was that the committee would be approached and asked to halt the boycott this past weekend so that a solution to as many of the demands as possible could be found.

"We are praying for an end to the boycott. I will have to close up shop if this carries on. I have not opened my till now for several days and we have lost end-of-month trading.

"A number of us who have been in Krugersdorp for years don't know how we are going to meet our own financial demands," one trader, who did not want to be identified, said.

Joint MDs buy control of Storeco in R18-m deal

(30)

Star 4.6.91

In a transaction worth R18 million, control of the Storeco group of companies has passed to joint managing directors, Stewart Cohen and Laurie Chiappini.

According to an announcement released yesterday, this puts a price of R12 a share on Storeco, the pyramid company, and R6 a share on Specialty, the operating company which controls retail chains Milady's, The Hub, Mr Price and Footgear.

In yesterday's transaction Mr Cohen and Mr Chiappini are buying 1 539 243 Storeco shares at R12 from the Board of Executors group (BoE) and so raising their effective stake in the controlling company from 20,5 percent to 50 percent.

Because this results in a change of control, an offer at the same price will be extended to minority shareholders in both Storeco and Specialty.

Over the past five years Specialty has achieved a 41 percent compound growth in attributable income.

The Specialty annual report released yesterday shows that in the past five years the number of stores in the group has increased from 118 to 171, sales have grown at a compound rate of 25 percent since 1986 to R246 million and the group now has 428 500 account customers.

Mr Cohen noted that not only has the group grown in size, it has also improved its profitability and since 1986 pre-tax profits have increased at a compound growth rate of 42 percent from R3,8 million to R22,4 million.—Sapa.

Soweto businesses face power cuts today

30 CT 25/6/91

Own Correspondent

JOHANNESBURG. — About 2 500 Soweto businessmen who collectively owe R10 million in electricity and water arrears to the Soweto City Council face electricity cuts from today, Soweto City Council spokesman Mr Mojalefa Moseki said yesterday.

Traders and other bulk users who failed to respond to the cut-off action risked court action which could lead to the attachment and auctioning of their properties, Mr Moseki said.

He said about half of Soweto's 5 000 businessmen owed about R10m accumulated since the signing of the Greater Soweto Accord in September last year.

The council claims businessmen were not covered by the accord, which wrote off R516m owed by Diepmeadow, Dobsonville and Soweto residents since 1986.

Mr Moseki disputed claims that the meters, accounting and billing systems were faulty, saying these had been updated in accordance with the provisions of the accord.

A spokesman for the Greater Soweto Chamber of Commerce said yesterday the Soweto Civic Association was still negotiating the electricity issue on behalf of the businessmen.

Cape Town two pull off R18 million coup

Argus 4/6/91

(30)

By TOM HOOD, Business Editor

TWO of Cape Town's best-known retailers, Mr Stewart Cohen and Mr Laurie Chiappini, have pulled off a coup by gaining control of the Storeco group of retail companies through an R18 million deal.

They bought 1,5 million Storeco shares at R12 from The Board Of Executors and raised their stake in the controlling company from 20,5 to 50 percent.

"We arranged a bridging finance facility and we will hold the bulk of the stock ourselves. Our intention is to bring in management and increase its stake considerably," said Mr Cohen today.

"It is not a leveraged deal and the borrowings will be quite manageable. We already have a significant stake that was not leveraged.

"Employees are excited about this and everybody wants to make this group into the best retail group in the country. We want to move from a green chip to a blue chip."

Both men, joint managing directors, are 45 and live in Cape Town. They linked up when they took control of the John Orr retail group in 1986 for R14 million in partnership with The Board of Executors.

Since they took over, Specialty achieved a 41 percent compound growth in net profit.

The number of stores has jumped from 118 to 171 with a gross trading area of 73 000 square metres.

Sales have grown by a compound 25 percent to R246 million and the group now has 428 500 account customers.

Storeco owns the Milady, Hub, Mr Price and Footgear chains.

Mr Cohen is a former managing director of the Grand Bazaars and Ackermans groups. Mr Chiappini began business life with the famous Harrods store in London, and studied retailing at London University.

The managing directors say in their annual report today the group is poised to benefit from the next upward phase of the business cycle.

To achieve further growth they aim to expand the cash retailing arm rapidly and increase operating profit margins of the credit chains through improved merchandised productivity.

Future growth is expected to be funded intertnally, they say.

● Minority shareholders are to be offered R12 for each of their Storeco shares.

Plans for small business outlets in Manenberg

By JACQUELYN SWARTZ
Staff Reporter

ARG 26/6/91

(30)

PLANS are in the pipeline to build small business outlets on the premises of Silvertree Community Welfare Centre in Manenberg.

"We have decided to embark upon what one could call a contribution to the immediate needs of the new South Africa," said director Mr Frank Gutuza.

"With this in mind we have identified two key areas — the question of job creation and that of the housing problem."

Business outlets will be built into the back of a grandstand planned for the sportsfields.

"We have made contact with the Small Business Development Corporation and they are doing a feasibility study on the business potential."

He said the outlets would be rented.

"Whatever business is generated will be ploughed back into the community," he said.

"We've got the SBDC interested and if it turns out to be a proposition I'm anticipating they will become involved from a business point of view."

Plans have already been drawn up by architects.

The housing problem will be tackled by workshops offering courses in building methods.

The centre also plans a greening project around the centre and in front of the maisonettes opposite the building.

Mr Gutuza said he hoped to involve the Fairest Cape Association and the municipality in this project.

SPECIALTY STORES FM 14/6/91

TIGHTER CONTROLS (30)

Specialty has made a good recovery since a joint consortium of the present MDs, Laurie Chiappini and Stewart Cohen, and the Board of Executors (BoE) took over the old John Orr's in 1986. Pre-tax profits have grown at a compound rate of 41% over the period, and even when the 1989 rights issue is taken into account, EPS has grown by 29%.

This year was certainly tougher, and attributable earnings were up by 19%, though EPS rose by only 7% on the fully diluted number of shares. A key consideration for this retailer continues to be the need to maintain a high quality book. The account base has more than doubled over five years, but since December, tighter controls have been introduced to avoid a potential explosion of bad debt. In common with other credit chains, Specialty is talking to financial institutions about the financing of its book.

FM 14/6/91 (30)

Activities: *Operates 171 specialty and off-price stores.*

Control: *L Chiappini and S Cohen hold 50% of Storeco, which owns 63,2% of Specialty.*

Chairman: *N A Labuschagne; Joint MDs: L Chiappini and S Cohen.*

Capital structure: *16,5m ords. Market capitalisation: R99m.*

Share market: *Price: 600c. Yields: 12,5% on dividend; 4,6% on earnings; p:e ratio, 8,0; cover, 2,7. 12-month high, 650c; low, 400c. Trading volume last quarter, 63 000 shares.*

Year to Feb	'88	'89	'90	'91
ST debt (Rm)	16,8	17,7	22,1	30,2
LT debt (Rm)	—	—	0,7	0,7
Debt:equity ratio	0,51	0,46	0,36	0,45
Shareholders' interest	0,46	0,44	0,48	0,47
Int & leasing cover	4,6	5,8	6,3	4,4
Return on cap (%)	16,4	19,3	18,0	19,3
Turnover (Rm)	118	137	185	246
Pre-int profit (Rm)	11,4	16,1	22,4	27,7
Pre-int margin (%)	9,7	11,8	12,1	11,3
Earnings (c)	45,5	63,4	70,3	75,1
Dividends (c)	17,5	24,0	25,0	27,5
Net worth (c)	297	345	363	411

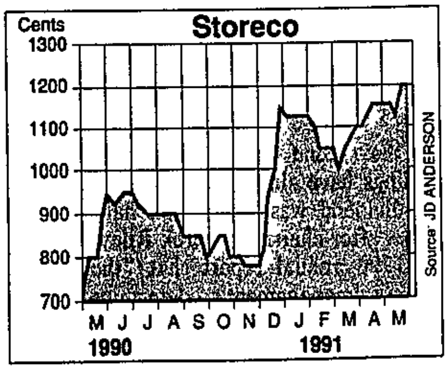
The bad debt provision was increased by 50%.

Specialty is increasing its exposure to cash businesses; 17 new cash stores will open this financial year. The Mr Price's Factory Shop discount chain provided the best returns on investment in the group.

Specialty will concentrate on improving the operating margins of its credit chains — Milady's and The Hub — by increased throughput of merchandise through each outlet. Management is expecting returns from the group's investment in computer systems to start taking place this year. The Milady's flagship at 380 West Street, Durban, opened during the year, which alone added almost a tenth to Milady's floor space and projected sales. Milady's stores will open two or three stores and expand five branches; a 3 000 m² Hub will open in Chatsworth.

Chairman Nic Labuschagne says the group is budgeting for an increase in earnings in the year ahead which will no longer be distorted at the per share level by the recent rights issue.

At the beginning of June, Chiappini and Cohen acquired 1,5m shares in pyramid Storeco from the BoE. Cohen explains that when the BoE Merchant Bank was created, BoE's board made a strategic decision to concentrate on financial services. The joint MDs obtained bridging finance from a merchant bank, and they plan to sell on some of



COMPANIES FM 14/6/91 (30)

Specialty's Labuschagne ... *budgeting for higher earnings*

the shares to other Specialty managers. The ownership base of the company has broadened, with some of the BoE stake bought by institutions and pension funds. Cohen expects the share to become more tradeable in the future.

The share, at 600c, is just short of its 12-month high of 650c. It is trading on a p:e of 8, well below the sector average of 18,8. The group has performed almost as well as its competitors, which stand on earnings multiples of 18 or more. There are promising growth possibilities, and there appear to be grounds for a rerating, though there is little tradeability in the share. *Stephen Cranston*

PEPKOR FM 14/6/91

ACQUISITIVE YEAR

(30)

Activities: *Holds 94% of Pep Limited and 80% of Shoprite.*
Control: *Pepgrow holds control.*
Chairman: *C H Wiese; MD: J A Louw.*
Capital structure: *11,7m ords. Market capitalisation: R965m.*
Share market: *Price: 8 250c. Yields: 2,6% on dividend; 8,2% on earnings; p:e ratio, 12,2; cover, 3,2. 12-month high, 8 500c; low, 4 400c. Trading volume last quarter, 50 000 shares.*

Year to Feb	'88	'89	'90	'91
ST debt (Rm)	14,3	12,7	7,3	64,5
LT debt (Rm)	—	7,0	5,8	5,4
Debt:equity ratio	n/a	n/a	n/a	n/a
Shareholders' interest	0,45	0,45	0,43	0,35
Int & leasing cover	4,4	12,0	14,3	80,3
Return on cap (%)	12,9	18,4	17,8	17,6
Turnover (Rm)	0,94	1,19	1,48	1,96
Pre-int profit (Rm)	65,2	102,7	119,2	149,5
Pre-int margin (%)	6,9	8,6	8,0	7,6
Earnings (c)	370	497	580	679
Dividends (c)	130	158	185	212
Net worth (c)	1 037	1 272	1 623	1 856

After the potentially disastrous 1986 (forex losses then amounted to about R100m), a plan was needed to pull the debt-ridden group back on track. Management devised a plan which was structured, focused and long-term. The group has undergone a startling transformation since chairman Christo Wiese and his management team started

Continue → 13

implementing this strategy.

Pepkor's largest problem — gearing and the associated cost of borrowings — was eliminated in 1988, when a rights issue was floated and the non-core businesses sold off. Until the 1991 financial year, Wiese has been faced with the problem of how best to invest R100m surplus cash.

During 1990 a new corporate division, Pep Ltd (previously Pep Stores), was created to include all clothing activities in Pep Stores Ackermans and Pep Manufacturing. The food division remains listed as Shoprite.

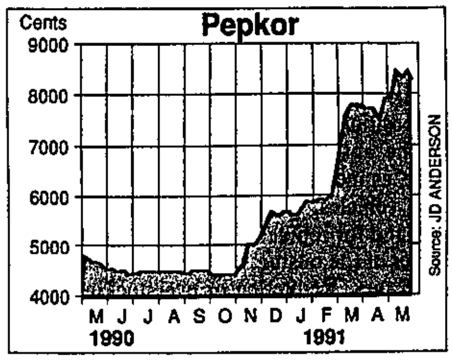
In the 1991 financial year, Pep Ltd (Peplim) lifted turnover by 24% and operating profit by 26%. The number of outlets, including associate companies, increased to 921 from 853. Shoprite increased its turnover by 55%, due to the inclusion of 27 Grand Supermarkets which it bought for R18,6m. Conversion of these stores to the Shoprite style, together with what Wiese calls a "disturbing development" — the sharp rise in stock losses which point to large-scale organised theft — marginally reduced Shoprite's EPS.

For retailers, 1991 was a difficult year, irrespective of which segment of the market was targeted. In the circumstances, the group did not do badly to increase turnover by 32% and operating profit by 25%. Had it not been for the increase in the effective tax rate to 42% (where it is expected to stabilise) from 35%, EPS growth would have been greater than the actual 17%.

Two aspects of the balance sheet deserve comment. First, strong cash flow has led to a year-end cash balance of R193m. During the year, R63,8m was borrowed, essentially to finance the increase to 94% from 89% of the shareholding in Peplim. Cash on hand improved by a net R94m. Secondly, R46,4m was raised by issue of variable rate redeemable cumulative prefs, of which the last will be redeemed in June 1995.

Since year-end, Peplim has acquired: the 42-outlet Frasers mine stores chain from

Pepkor's Wiese ... *buying up more stores*



Tradegro subsidiary Metro for about R13m; 47% of the 151-outlet credit clothing retailer Smart Centre from Tradegro for R31m (this holding has been increased to 55% for an additional R5m); and the 200-store Harties chain for R18,6m, from Hicor. Acquisitions this year have so far cost Pepkor R67,6m, for an additional 393 stores.

Pepkor, like the retail sector as a whole, has undergone a considerable rerating. A year ago the dividend yield was 4,1%; it is now 2,6%, on a maintained cover. The earnings multiple has risen from 7,8 to 12,2.

Wiese is not specific about earnings prospects for fiscal 1992 but his stated aim is to maintain real growth in dividends. There will be a dilution in EPS on conversion this year of the 3,3m convertible debentures and the convertible prefs. Wiese is optimistic that, even after the conversion, there will be real growth in EPS — assuming there are "normal" trading conditions for the rest of the year.

Of the other six major retailing groups in the country, only OK Bazaars has a lower rating than Pep. With the latest acquisitions, the group has a lot to digest. But the long-term potential, and the performance over the past five years, lead to the conclusion that Pepkor is still underrated. *Gerald Hirshon*

OK BAZAARS FM 14/6/91 30

RETURNS STILL LAGGING

Activities: *Operates 209 department stores and hyperstores in SA and the neighbouring states.*

Control: *SA Breweries 69%.*

Chairman: *J M Kahn; MD: G W Hood.*

Capital structure: *12,4m ords. Market capitalisation: R167m.*

Share market: *Price: 1 350c. Yields: 4,7% on dividend; 8,9% on earnings; p:e ratio, 11,2; cover, 1,9. 12-month high, 1 875c; low, 1 300c. Trading volume last quarter, 163 000 shares.*

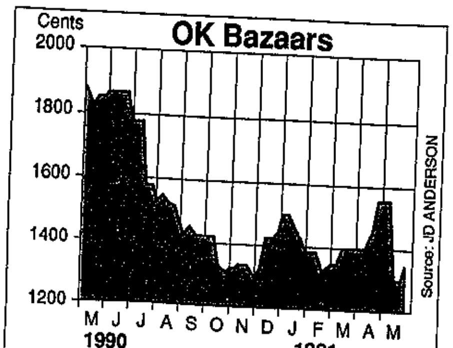
Year to Mar	'88	'89	'90	'91
ST debt (Rm)	136	124	194	221
LT debt (Rm)	55	53	46	39
Debt:equity ratio	0,49	0,40	0,65	0,69
Shareholders' interest	0,37	0,34	0,29	0,26
Int & leasing cover	3,4	2,6	1,9	1,5
Return on cap (%)	5,4	6,1	5,5	4,2
Turnover (Rbn)	3,12	3,7	4,2	4,8
Pre-int profit (Rm)	53,6	67,2	68,4	57,9
Pre-int margin (%)	1,7	1,8	1,6	1,2
Earnings (c)	162	195	163	120
Dividends (c)	89	103	86	63
Net worth (c)	2 865	2 957	2 770	2 764

The extent to which external circumstances, rather than internal problems, led to OK Bazaars' 26% decline in attributable earnings is a matter for debate. Whereas clothing retailers have generally had a good year, some groups which are predominantly food retailers have suffered. OK Bazaars' result does not look that bad when compared with losses reported by Checkers at the December interim, and by Score Foods' retail interests at their February year-end.

The stock market is still not showing much enthusiasm for the share. At 11,2, the earnings multiple is well below the 18,8 average for the sector. What is more indicative of the share's rating, is that most stocks in the sector trade well above NAV; OK Bazaars' price is less than half the NAV. Every so often there is a reassessment of the share, which rose to 2 200c in early 1990 — but then the group spoils the excitement by producing yet another poor result.

There was at least one welcome feature of the latest figures, and that was the improvement in cash flow. It may indicate that MD Gordon Hood and financial director Brian Borcherds are coming to grips with the working capital position. Working capital fell by R39m, after rising by R63m in 1990. Net cash retained was up from about R9m to R87m.

OK Bazaars' Hood ... *closing stores*



But the group is still burdened with a high interest bill, which, at R38,4m, absorbed two-thirds of operating income. Creditors and provisions increased by 22%, compared with a 19% increase in debtors, effectively meaning that the group is being financed to a greater extent by its suppliers.

Poor operating performance

The biggest disappointment, however, remains the performance at operating level. The operating margin, at 1,2, is about half that of Pick 'n Pay, even though 42% of OK Bazaars' sales are in the higher margin non-food sectors. Its annual sales/m², at R5 530, would be acceptable for a fashion retailer such as Foschini or Truworths but compare poorly with Pick 'n Pay's R15 000/m², and even Woolworths' R8 700/m².

External circumstances did play a part in the group's performance. It claims to have been hit harder by political volatility than its competitors, as it is more exposed to the black market. But for years the OK has been accused of chasing turnover and market share, rather than being bottom-line driven. This, it is argued, has led to an accumulation of problems. Now there are signs that the required action is taking place. Nine stores, which had a turnover of R200m in 1990, were closed. These stores were not contributing to the bottom line, and there was no prospect of upgrading them.

The Hyperamas remain star performers, though no separate figures are available for the division. It was revealed, however, that their turnover exceeded R1bn last year. A new Hyperama will open in Kempton Park this year, and it's hoped that much of the sales lost in the store closures will be recovered by Hyperama openings.

In due course, argues Hood, the number of good stores will far outweigh the number of bad stores.

Hood has earned credit for taking action to improve the stores, but the group is still providing exceptionally low returns. According to the *FM*'s calculations, the return on total assets is now 4,2%, and the return on equity is only 4,3%.

For investors, the group's principal attraction has been its generous dividend payments, which normally absorb half of earnings. But earnings and dividends have fallen so sharply that the dividend yield is now 4,7%, whereas for much of the past few years it was around 8%. Analysts do not rule out the possibility that there will be another speculative run on the share, and this seems the only reason to consider buying. It is difficult to see any attractions on the fundamentals.

Stephen Cranston

SAFICON FM 7/6/91 (30) (1992)

SUPPLY SHORTAGE

Motor vehicle distributor Saficon fell well short of its original EPS forecast of 149c for the 1991 year, and was even short of its revised forecast of 70c made at the interim stage. Moreover, dividend payments may be skimpy for the next few years — dividend cover will be maintained at four times.

EPS fell by 65% in the first half and by 63% in the second half, to total a massive 64%. The interest bill increased through the year, though in the second half it rose by 24% after rising by 48% in the first half. Gearing at year-end remained roughly static at 0,50.

The main operating companies, Mercedes-Benz dealer Cargo Group and Volkswagen dealer Lindsay Saker, were affected by strikes at both those manufacturers. Turnover fell by 5%; unit sales of passenger cars fell by 17,4% and commercial vehicle sales by 18,1%, compared with national declines of 5,2% and 7,1% respectively. This was a recovery from the first half, during which supplies were completely cut off in late August and September, and turnover fell by 16%.

Chairman Sidney Borsook, however, says gross margins have been improved, as vehicle shortages reduced previous over-supplies in the market in which Saficon operates. The relative contribution of parts and services, which enjoy a higher margin than new vehicles, increased. But CE Kurt Hipper says little could be done about Saficon's high fixed costs in salaries and rentals, which would have meant disposing of part of the infrastructure of dealerships.

The contribution from 37%-owned Boumat was a mere R633 000, less than a tenth of 1990's contributions (R6,6m). Saficon's operating profit fell by 32%, though attributable earnings fell by 60% — thanks to the Boumat collapse, a 33% increase in interest paid and a rise in the tax rate from 50,8% to 51,7%.

On historical earnings, Saficon's share, at R6, trades on a demanding p:e of 11,3. However, Hipper predicts EPS of 95c in 1992, just 3c ahead of 1988 earnings. If there is no repetition of last year's strikes, that figure looks attainable, though it is hardly exciting.

Stephen Cranston

BOYMANS Fm 14/6/91

OVER THE WORST? (30)

The policy of trading out of the liquidity problems is reflected in the omission of any dividend, but at least the downward trend in earnings has been halted. Chairman Eric Ellerine says that annualised turnover grew 15,4% and unannualised operating profit by 10,7%. Trading conditions were tough, but a stock reduction programme managed to cut stocks from R41,2m to R37,6m.

A high interest burden trimmed growth in pre-tax profit to only 1%; but considering that at half-time interim earnings were sharply down, and the group then seemed to be hoping for annual earnings of only about 17,5c a share, even this is good going, and

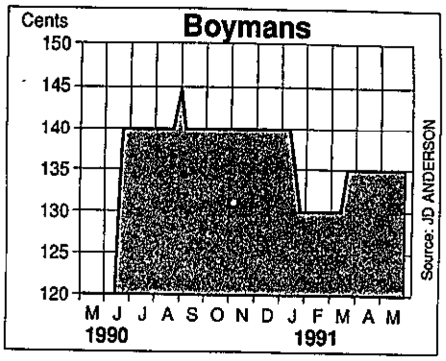
Continue -

Fm 14/6/91 (30)

Activities: *Operates 54 Levisons, John Scott, Deans, Cyrils, Woolfsons, and John Orr's family clothing stores.*
Control: *Directors 46%.*
Chairman: *E Ellerine; Joint MD: A Brodkin, H Regenbaum.*
Capital structure: *10,75m ords. Market capitalisation: R14,5m.*
Share market: *Price: 135c. 12-month high, 145c; low, 130c. Trading volume last quarter, 9 000 shares.*

Year to Feb	*'87	*'88	†'89	'90
ST debt (Rm)	5,7	2,2	7,4	16,1
LT debt (Rm)	13,3	21,7	32,8	29,3
Debt:equity ratio	0,82	0,93	1,5	1,6
Shareholders' interest	0,31	0,29	0,27	0,25
Int & leasing cover	1,5	3,1	1,6	1,5
Return on cap (%)	9,1	12,0	12,5	13,0
Turnover (Rm)	92	132	188	190
Pre-int profit (Rm)	6,5	10,3	12,2	14,2
Pre-int margin (%)	7,1	7,8	6,5	7,5
Earnings (c)	35,5	38,4	23,1	23,5
Dividends (c)	10	13	6,5	—
Net worth (c)	203	229	245	257

* Year to December 31.
† 14-month period.



suggests a substantial second-half rally.

Closing six stores helped limit the growth in borrowings to 8,9%. Long-term loans were actually cut from R32,8m to R29,3m, but overdrafts soared, from R7,4m to R16,1m.

This seems to be the obverse of a leap in debtors, from R41,8m to R55,5m. Financial director John Connaway says this in turn reflects partly a switch in sales mix from cash to credit, and partly a slowing down in collections in January-February. Collections have since improved, though not back to year-ago levels, and overdrafts are still at much the same levels. He is confident that bad debt provisions, which are way in excess of current write-offs, will be adequate.

Tackling overheads

Management is exploring more ways of containing overheads and, though conditions remain difficult, is budgeting for increased earnings this year. This sounds promising, but what is really needed is not just to contain borrowings, but actually to get them down. Despite last year's efforts, financial ratios still show little improvement, though Connaway hopes for progress this year.

In contrast to the company's fluctuating fortunes, the share price has hardly budged over the past year. A resumption of dividends may still be some way off, but if earnings performance is indeed over the worst, at least there should now be little downside.

Michael Coulson

FM 28/6/91 (30)

SHOPRITE FM 28/6/91

BULLISH ON SALES (30)

Activities: *Retails food and household products through supermarkets.*
Control: *Pepkor 79,4%.*
Chairman: *C H Wiese; MD: W Basson.*
Capital structure: *29,5m ords. Market capitalisation: R136m.*
Share market: *Price: 460c. Yields: 2,9% on dividend; 5,9% on earnings; p:e ratio, 16,9; cover, 2,0. 12-month high, 460c; low, 210c. Trading volume last quarter, 95 000 shares.*

Year to Feb	'88	'89	'90	'91
ST debt (Rm)	0,3	0,3	1,5	10,6
LT debt (Rm)	—	—	—	—
Debt:equity ratio	n/a	n/a	n/a	0,12
Shareholders' interest	0,22	0,20	0,18	0,12
Int & leasing cover	7,0	5,6	4,9	3,1
Return on cap (%)	13,0	12,5	11,5	7,0
Turnover (Rm)	246	351	471	732
Pre-int profit (Rm)	7,8	10,5	13,0	12,6
Pre-int margin (%)	3,2	3,0	2,8	1,7
Earnings (c)	17,3	23,2	27,5	27,2
Dividends (c)	8,0	10,0	12,0	13,5
Net worth (c)	44,0	57,5	69,3	74,6

On the face of it, the pronounced deterioration in Shoprite's financial ratios must be cause for concern. But there are also grounds for arguing that the group is addressing its problems and the share should be bought.

The deterioration is primarily a result of the Grand Supermarkets acquisition and an inordinately high incidence of theft that accompanied that purchase. In a deal involving little goodwill, Grand, with its 27 stores, was bought for R18,6m last July. This price included fixtures and fittings but not liabilities and stock. It was financed entirely from internal resources; creditors largely funded the purchase of stock, which involved about R35m.

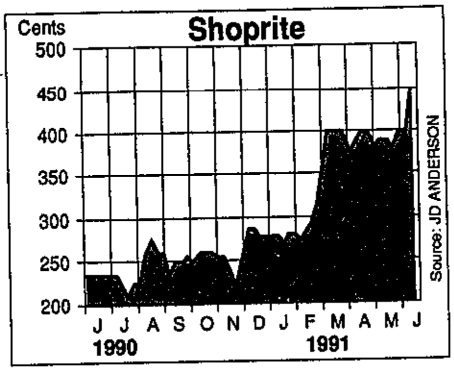
Motivations for the deal included increasing the scope of Shoprite's operations and, particularly, expanding its geographical distribution. Management also hoped (optimistically) to increase market share without sacrificing margin. Because of site duplication and marginal trading, five Grand outlets were closed, others were changed to trade as Shoprite and two remain Grand Supermarkets. Shoprite now has 74 outlets.

With overdraft funding rising to R10,6m, this was the first time the group has completed a year with net borrowings, though these were only R2,6m. Not only is this relatively trivial, but MD Wellwood Basson is confident gearing will revert to former levels during this financial year.

The shareholders' interest was eroded as a result of the Grand acquisition, though this was more because shareholders' funds did not grow as rapidly as capital employed. Similarly, the enlarged asset base rather than lower profit was largely responsible for the slump in return on capital.

Basson makes the point that, had the unexpectedly large theft been minimised, pre-interest profit would have grown respectably instead of falling. This year, says chairman Christo Wiese, "an extensive programme of management systems and control measures" is in place to avoid a repetition of this.

In short, the weakening of the financial ratios should be arrested during the current year. Shoprite is today a major supermarket chain, as is underlined by Wiese's prediction that in the 1992 financial year turnover will reach R1,1bn — an increase of 50%. The Grand deal took effect on August 20, about six months before year-end, but turnover grew last year by 55% to R732m. Wiese is also forecasting real growth in EPS in the 1992 year.



At worst, with the margin remaining as low this year as it was last financial year (1,7%), and an effective tax rate of 38%, attributable earnings could reach R12m, an improvement of 50%. Should the margin rise to, say, 2%, attributable earnings could rise by 74%.

This obviously assumes that consumer demand continues to hold up and Wiese's sales forecast proves correct — which could be a big assumption to make at this stage of a recession. Still, the short-term potential is such that the share looks attractive even though the price has more than doubled over the past 12 months.

Gerald Hirshon

Shoprite's Basson ... *gearing will fall*

MASHOLD FM 28/6/91.

(30)

MAIL ORDER MASTERS

Mashold is making a name for itself for consistently outstanding EPS growth. Preliminary results for the year to February show growth of 27% in EPS yet again.

Since 1986, compound growth in EPS is 26,6% a year. This reflects the nature of the business. Clothing and household linens make up most sales. Customers order from catalogues in the comfort of their own homes. Cash is either included with the order or, for COD sales, paid over the counter to the post office, where customers collect purchases. That is why CE Marco van Embden says the group has more outlets than any retail chain and reckons that Mashold is almost recession-proof.

Van Embden points out that volatility in direct selling is considerably less than at the average retail outlet and the long-term sales curve is, therefore, smoother. Though the group started by selling clothing to the lower end of the market, there has been considerable diversification (from tableware to encyclopedias) — with marked success.

Nevertheless, the latest results are interesting because growth in EPS arose more from a tax break than good trading. Pre-tax profit rose by 12,7%, while tax payable amounted to just over 8% (1990: almost 22%).

Van Embden is emphatic that the relatively small pre-tax profit rise does not indicate a trend. He notes that the company is conservative and the EPS rise is adequate evidence

FM 28/6/91 (30)

of sound performance in present economic conditions. Furthermore, he maintains that the tax rate is likely to remain low for three to four years, thanks to tax losses in subsidiaries and the substantial export allowances that trade with Africa brings.

The company carries no long-term debt. Short-term interest-bearing debt fell by about R6m, to R21m. It will be revealing to see, when the annual report is available, how cash flow moved, because Van Embden says large amounts were spent to bring newly acquired mail order house Velks and crockery retailer Table-kraft up to scratch.

At 16c, the dividend increase is a meagre 10%. But it places the share on a yield of 4,3%, well above the historic average of the retail sector (2,5%). Clearly, the share is rated as a second-tier stock. From a long-term perspective it seems to deserve something better.

Gerald Hirshon

Business wants a constitution that promotes prosperity

BDay 13/6/91 (30)

Sacob yesterday spelt out its vision of a new constitution for SA.

ALTHOUGH it is not the function of employer organisations to get involved in the sphere of party politics, the SA Chamber of Business (Sacob) believes there are certain broad constitutional questions which the business community must address. Industry and commerce have a vital stake in the shape of a future constitution for SA, as it would like to see the right combination of change and stability.

This stake arises from five important considerations.

Firstly, the business sector would like to see the future political and constitutional decisions being settled by negotiation and not by violence.

Secondly, the business sector would like to see a dispensation which upholds certain key values important to the business community and to society as a whole.

Thirdly, the business community wants trust in a new constitution and in its ability to limit abuse of political power.

Fourthly, business perceptions of the political process have a significant impact upon business confidence and hence upon long-term fixed investment in the private sector. Sacob believes that a sound and growing economy and political reform are interdependent.

Fifthly, although SA must decide its own future, a new constitution must also inspire confidence in foreign investors and bankers.

A future constitution should facilitate strong but limited government. It should explicitly define and preclude all authoritarian traits and tendencies in government: legislative powers which permit retrospective legislation and the abolition of constitutional safeguards; a political system which curbs free party political formation and promotes the creation of political appointments for life; and excessive government interference and undue influence in the economy.

The rule of law must be a basic ingredient of our future constitutional order. A new constitutional order must be founded upon a constitution which has the character of a supreme law. Checks and balances, such as a bill of rights, an independent judiciary, public hearings for all senior public appointments, devolution of power, and an ombudsman would have to be spread throughout the political system to protect and uphold certain basic values.

While an economic system or policy as such cannot be entrenched in a constitution, certain concepts fundamental to a market economy and to business confidence need to be safeguarded, perhaps through entrenched clauses in a bill of rights. These include the law of persons; the law of property; and the law of contract.

To give proper effect to these intentions it would also be necessary expressly to entrench the independence of the judiciary, the principle of equality before the law and the principle of non-discrimination.

The rights of ownership — corporate and individual, including the ownership of the means of production — are fundamental to a democratic social and economic order. A new constitution should say that "no person or organisation shall be deprived of their property without due process of law and without just compensation". This entrenches the principle without making it totally inflexible.

A constitution provides the basic framework for lawful government action but does not prescribe specific policies. In a democratic state, it is for the democratically elected government to apply its economic policies — albeit within certain constitutional ground rules.

However, it must be emphasised that there are many constitutional principles which have a definite bearing on economic conditions and which can either promote or destroy economic prosperity and growth.

These include the rights to rewards for endeavours, freely to employ labour, to equal work opportunities and free choice of employment, to fair remuneration, to freedom of contract, to equal pay for equal work, and the right to form or join trade unions, or commercial, industrial or other associations with the concomitant right not to be compelled to join such union or association.

Sacob also believes that some of these rights need to be enshrined in a bill of rights that should form an integral part of the constitution.

There are other elements in a new constitution which will promote predictability and guard against the excessive concentration of political power. These include maximum devolution of power to regional and local levels, on a completely nonracial basis, and open debate and clearly defined public mechanisms for handling legislation — known as "alarm bell procedures" — which should be laid down in the constitution. A compulsory system of public hearings — such as in the US Congress — will subject all legislation to public scrutiny.

Notwithstanding constitutional constraints, economic mismanagement could ruin a country. Ownership rights can be usurped and rendered worthless by excessive inflation and high taxation.

One potential safeguard against excessive inflation is an independent Reserve Bank. The main purpose of the Reserve Bank should be to protect the purchasing power of the country. However, it should be clearly understood that inflation can only be kept under control if strict monetary policy is underpinned by an equally conservative fiscal authority. In shaping a future constitution, the position of the Reserve Bank should be secured. It is important to accord the Reserve Bank a high degree of de facto autonomy in deciding monetary policy.

Regarding taxation, even maximum devolution of power is no impenetrable shield against excesses, as even taxpayers in federations such as Germany, Canada and the US have experienced. Even in these countries strong voices have been raised in favour of the introduction into the constitution of a so-called "fiscal rule" that would limit the level of taxation to the particular ratio of, for example, GDP.

The introduction of quantitative "fiscal rule", whatever its economic merits, would have to be regarded as a political innovation against the traditions of the SA order.

Once again, it may not be necessary to reach agreement on the particulars of the way in which the tax principle is entrenched as a precondition to further constitutional negotiation — for example by such a quantitative rule, or by means of a broad norm and a supporting institutional structure. The primary issue is to gain consensus among the negotiating parties about the need for the entrenchment of some constraint as a precondition to proceed further along the road of political reform.

In conclusion, Sacob wishes to see a constitution which is consistent with the basic tenets of the market economy. The level and quality of future economic growth will depend to a large extent upon what type of economic system and constitutional model emerges from the political bargaining process.

While a constitution can protect citizens against individual excesses, a sound economic policy is essential to underpin economic growth and wealth creation in the best interests of the whole population.

Any new constitutional model for SA will also influence the perceptions of foreign investors and bankers overseas, who — like SA businessmen — want to see the right blend of reform and stability. This is the challenge facing the political negotiators who will be responsible for a new constitution.

☐ **These are edited extracts from Sacob's The Economic Aspects of a New Constitution for SA.**

Businesses in Soweto face electricity cuts

(30)

BDay 13/6/91.

THEO RAWANA

SOWETO businessmen, who collectively owed hundreds of thousands of rands in rent and services charges, would have their electricity cut within two weeks, the Soweto City Council warned yesterday.

Soweto mayor Oscar Maseko said the council had sent out final notices to businessmen, warning them to pay their accounts by June 25 to avoid a switch-off.

Soweto council spokesman Johan van der Westhuizen said yesterday some businessmen owed about R50 000, accumulated during the six-year period since the rent boycott started.

Van der Westhuizen said the council had decided businessmen were not covered by the Greater Soweto Accord, which wrote off a R516m debt last September.

However, some businessmen would be spared because they had paid regularly.

Maseko said the response was "wonderful" when the council cut off power to bulk users — companies, institutions and state departments — two weeks ago. There was a rush to pay arrears after the cut.

Neither Maseko nor Van der Westhuizen could say how much had been paid.

Greater Soweto Chamber of Commerce spokesman Max Legodi confirmed that notices had been sent to individual businessmen. "But no official notice has been sent to the chamber," he said.

The matter was being handled by the technical committee of the Soweto People's Delegation, a principal in the signing of the accord.

Sapa reports that the council also appealed to Soweto residents to pay their electricity and water accounts by the end of June to avoid having the power to their homes cut off.

"While the council is opposed to switching off the electricity supplies to consumers, especially during winter, it finds itself with no option but to take the action so that it can meet its obligations to its suppliers," the council said in a statement.

It would also fine users of illegal electricity connections.

The council denied it had inflated electricity bills because it was bankrupt.

Also yesterday, it was announced that electricity supply to Alexandra township would be administered by the Central Witwatersrand Regional Services Council on behalf of Alexandra City Council from July 1. Urban affairs consultant Nigel Mandy said in a statement the operation, maintenance and management service would be carried out by Eskom.

and TV2/3 sports manager Etienne Dorfling (not shown) appeared in connection with corruption charges. They were not asked to plead and the case was postponed to July 28. Jordaan and Dorfling were suspended by the SABC in April following a probe by the SABC's external auditors into TopSport finances. Picture: CATHERINE ROSS

...Ganta by the Correctional Services Department.

It said he would appear in court on August 12 in connection with murder and contravention of the Arms and Ammunition Act.

Do not cut Soweto power during talks, council told

BDay 14/6/91

30

THEO RAWANA

THE Soweto City Council had no right to cut off power to businesses and residents while talks on handing over management of electricity supply to the Central Witwatersrand RSC were continuing, the Soweto Civic Association (SCA) has said.

The council has threatened to cut electricity to businessmen by June 25, alleging they had built up a debt running to hundreds of thousands of rands since the rent boycott started seven years ago.

It claimed that the business community was not covered by the Greater Soweto Accord which last year wrote off a R516m debt for residents under the Diepmeadow, Dobsonville and Soweto councils.

SCA technical committee member Lawrence Boya said parties represented in the chamber were working on an agreement on handing over management of electricity to the RSC.

"The chamber is not in a position to give authority to the handover, but the parties in the chamber have to ratify the agreement," Boya said.

"So we would not accept any cutoff of electricity supply just yet."

The SCA hoped to meet the council before June 25 to resolve the situation.

Boya said if the council would also be acting in bad faith if it carried out its threat to cut power to residents if they did not pay by the end of this month.

"It would be an unfortunate situation because the matter of interim charges for electricity is still under negotiation.

Soweto Mayor Oscar Maseko could not be reached for comment yesterday.

RSC chairman John Griffiths confirmed yesterday that the issue of the handover was discussed at a meeting with the three councils. "The councils are still considering the proposal," he added.

Dobsonville Mayor MacFarlane Phenethi also confirmed that the subject had been discussed. "The issue has to go to the (chamber's) joint technical committee first and then to the Metropolitan Chamber. So I don't have a comment yet."

STORECO/BOE

FM 7/6/91 (30)

PARTING COMPANY

The eleventh-hour withdrawal of Pepkor from a takeover of Storeco in January last year contributed to the R18,5m purchase of outright control of Storeco by joint MDs Laurie Chiappini and Stewart Cohen.

The Pepkor talks generated insecurity for

FM 7/6/91 **FOX** (30)

management and staff, and the MDs wanted to avoid repetition of such an event. The buyout of the interest held by their "partners" ensures there will be no passing of control to new shareholders, and the joint MDs will themselves retain control.

Until now, control has vested with the Board of Executors (BOE). In 1986 both the BOE and Chiappini and Cohen bought John Orr's (as Storeco was then called) as a long-term investment. The BOE's investment was then about R2,5m. Since then it has increased its investment by following its entitlement in a rights issue two years ago. The market value of BOE's investment in the group has since grown to the point where it is too large in BOE's balance sheet (of R80m shareholders' funds, the Storeco investment represents some R29m).

For BOE, it made sense to sell especially as, in BOE MD Bill McAdam's view, it is a good time to be liquid. The sale will enable BOE to direct its resources to the financial services sector, from which most of its income is derived.

BOE will realise R18,5m from the sale of all its Storeco shares and R10,5m from the acceptance of the offer that Chiappini and Cohen are to make to minorities of both Storeco and Specialty.

Both parties are satisfied with the transaction. BOE has realised a capital gain of about R20m in the five years it has held the investment. For Chiappini and Cohen, the effective price of R6 a Specialty share and R12 a Storeco share is attractive. These prices are respectively R1 and R2 less than what Pepkor was asked to pay more than a year ago.

Though trading remains tough, Chiappini is optimistic the group will achieve real growth in EPS this year. In the light of past performance — over the past five years Specialty has achieved a 41% compound growth in attributable income — this may be a conservative forecast. It's hoped the fact that control of the group is in firm hands will help lift morale and increase productivity.

Gerald Hirshon

AMAPROP FM 7\6\91 30

DEFENSIVE PORTFOLIO

Activities: *Manages commercial properties, shopping centres and hotels and develops residential and industrial townships.*
Control: *Anglo American 66%.*
Chairman: *G G L Leissner.*
Capital structure: *45m ords. Market capitalisation: R369m.*
Share market: *Price: 820c. Yields: 5,7% on dividend; 8,9% on earnings; p:e ratio, 11,2; cover, 1,6. 12-month high, 860c; low, 600c. Trading volume last quarter, 92 000 shares.*

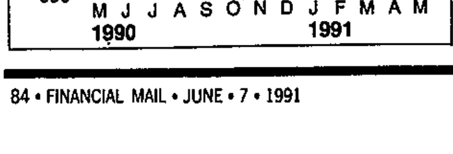
Year to Mar 31	'88	'89	'90	'91
ST debt (Rm)	4,4	9,1	2,7	15,5
LT debt (Rm)	228,0	223,4	218,1	211,4
Debt:equity ratio	0,49	0,46	0,39	0,33
Shareholders' interest	0,62	0,60	0,63	0,67
Int & leasing cover	2,2	2,5	2,6	2,9
Return on cap (%)	7,1	8,1	8,6	7,1
Turnover (Rm)	125	162	209	200
Pre-int profit (Rm)	53,8	64,9	71,3	72,1
Pre-int margin (%)	42,8	40,1	34,1	34,9
Earnings (c)	46,3	54,8	67,4	73,0
Dividends (c)	30	35	42	47
Net worth (c)	906	918	997	1 301

The breadth and high quality of Anglo American Property (Amaprop)'s portfolio is likely to ensure the group enjoys steady if unspectacular growth this year.

Amaprop chairman Gerald Leissner believes earnings will grow by up to 15% in the year to March 1992 if the performance of the Carlton and estates development divisions comes up to expectations. He says poor contributions from these divisions would result in group earnings climbing only 10%-11%.

Lacklustre results from these divisions helped to curb the improvement in operating profit last year to only a 1,3% increase, to R72m, while turnover dipped by 4,3%, to R200m. The 8,3% rise in EPS was achieved by a drop in finance charges, from R27,5m to R24,9m. Shareholders also benefited from a R3,9m (R10,4m) surplus on the sale of property that was treated as an extraordinary item and not included in EPS. Dividends thus improved by 12% to 47c a share.

Losses at the 60%-owned Carlton Hotel cost Amaprop R2,1m (compared with the previous year's shortfall of R609 000). Though room rates increased significantly, a drop in occupancy pegged turnover at close to the 1990 level at R36,7m.



Amaprop's Leissner ... *earnings could grow by up to 15%*

The prestigious hotel, which underwent an extensive facelift last year, continues to operate with only two-thirds of its 600 rooms open, and the hoped-for deluge of foreign tourists remains as elusive as ever. Leissner is confident the Carlton can, in better economic times, make a good contribution to group profit and further enhancements to the hotel are planned for this year. Little, if any, profit contribution can be expected in financial 1992.

Though turnover at Amaprop's estates developments fell 35% to just under R40m, a substantial reduction in tax enabled the division's earnings contribution to nearly double to R1,7m. To limit its exposure to this high-risk business, Amaprop has chosen not to develop any new schemes in the short term. It has also limited investments in township land and debtors to R55m. Leissner says the selling of existing stands, mainly at Midrand, and the collection of outstanding debtors is expected to release substantial profits this year. It will also enable management to concentrate on bringing the Silver Lakes development, near Pretoria, to the market.

The mainstay of the group is its long-term property portfolio. Contributions from this division improved by nearly 11%, to R33,3m, on turnover up 13%, at R125,9m. Office accommodation accounts for two-thirds of the portfolio's lettable space, with shopping centres making up the rest.

Nearly all Amaprop's shopping space is let and, though the slowing economy is putting pressure on rents, increases this year are likely to be in the region of 10%-12%. "Good shops can always be let," says Leissner. However, the glut of business accommodation has resulted in 7%-8% vacancies in the group's office blocks. Growth in rental income from these properties is not expected to exceed 10%.

About a fifth of Amaprop's office accommodation leases come up for renewal each year (though no major leases expire this year). Leissner says he will be happy if the group can maintain its current level of occupancy in financial 1992.

Though Amaprop has made some changes to its property portfolio, major additions are unlikely. The group has no cash and management is keen to reduce gearing. In the past four years, gearing has been steadily falling from 49% to 33%. Most of the long-term debt is in the form of debentures, yielding interest well below bank rates. A revaluation of properties, done every three years, helped ease gearing in financial 1991 by adding R117m to shareholders' funds.

Though it is unable to invest directly in major new properties, Amaprop broadened its investment spread by increasing its holdings in listed property trusts. It took a 50% stake in Compass Property Holdings (formerly Retprop) and a 2,8% interest in Main Street Property Fund (Mainpro). The holding in Apex Property Fund was reduced by 3% to 13%.

While Amaprop has much to offer investors looking for defensive rather than high-yield stocks, the share has appreciated significantly in the last few months. It is beginning to look expensive at around 820c. Assuming the group achieves its top forecast of 15% earnings growth, this would put the share on a forward p:e of about 9,8, well above the sector's current average.

Simon Cashmore

SAPOA CONGRESS (30) FM 28/6/91.

TALKING UP THE MARKET?

Talk of an imminent economic upturn may be the topic of the month in some circles. But despite the bullish sentiment expressed at last week's Sapoa congress, the property market appears to have some way to go before it feels any real benefit.

Among the optimists was FNB economist Cees Bruggemans, who predicted the beginnings of an upturn as soon as late this year. The revival, he said, would be driven by industrial growth through inventory replacement, falling interest rates and the restoration of IMF capital credit facilities to SA.

But even he conceded that property, a lagging indicator, might take a little longer than other sectors to feel the improvement. There was concurrence on this when the outlook for office, industrial and retail property came up for individual discussion.

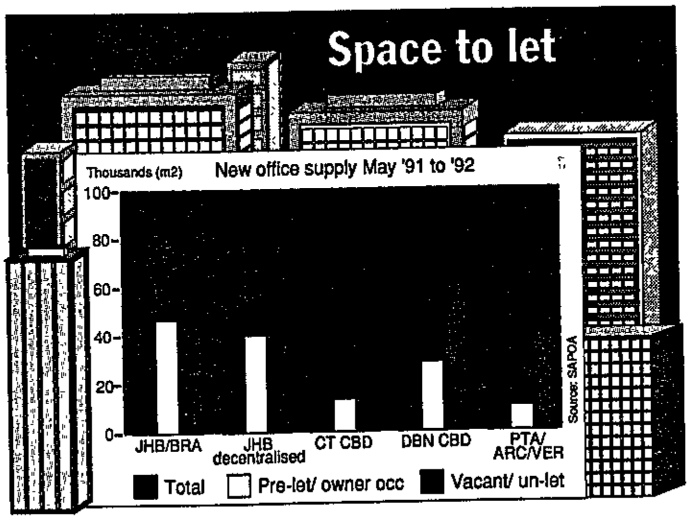
The office market, as Southern Life Properties' Johnny Johnson pointed out, is suffering — though vacancies are still within manageable proportions. Growth in rentals has come off, demand for offices has dropped and vacancies are rising.

This could change quite quickly if there is a significant economic upturn. However, Johnson feels there's little likelihood of a fall in interest rates to below 18% in the next 12 months. This will keep tenant demand in check. In addition, there is a lot of new and unaccounted for office space coming on the market in the near term. "We will be looking at a vacancy level (in A- and B-grade office space) of about 12% in a year's time," he predicted, "compared with roughly 8% across the board now. If it isn't a tenant market today, it sure will be one tomorrow."

Johnson isn't all pessimism, however. The property industry, he observed, has endured such troughs before. He urged developers to take more account of timing and market demand in bringing new schemes to fruition rather than developing simply because of pressure on capital flows. He also believes that with the changing political and economic climate, there could be greater demand for well-appointed but less sophisticated and luxurious offices. This could mean opportunities for refurbishing older office buildings.

Barprop's Colin Steyn is more optimistic about the outlook for industrial property. He noted that though most of the space vacated in the mid-Eighties has been absorbed, the current downturn has resulted in a considerable level of idle industrial capacity.

"This will effectively defer the requirement for additional industrial space until the middle of next year, when economic conditions are expected to improve and demand for products should increase," he says.



New *free space is worrying*

In spite of these difficult trading conditions, he said the industrial property market had been extremely resilient. Vacancies have stayed low, though they did increase slightly between the second quarter of 1990 and the first quarter of this year.

In addition, he noted that organisations like Real Estate Surveys, which publishes *Rode Report*, have indicated that industrial rentals had risen significantly across the board, between the second quarter of 1988 and the first quarter of this year. The highest gains were shown in sub-500 m² units on the Witwatersrand, where rentals rose by 84% in the period from R5,40/m² to R9,91/m². However, large 5 000 m²-plus industrial units in the same area also showed the lowest increase, at 26%.

But Steyn feels that "with both political and economic forces at play and with an international acceptance of SA into world markets, industry can generate the activity needed for a takeoff on a high-growth road. This will result in many good opportunities for industrial property."

Retail property, on the other hand, appears to have shot its bolt — at least in the short term. Liberty Life Properties' Gavin Main said while there would be continued growth in the sector, it will not be at the levels experienced in the Eighties. Instead, future growth would be marked by a greater utilisation of existing resources through refurbishments and extensions. Another inhibiting factor, he predicted, would be increasing competition from informal retailers. "We will also see a further upsurge in the informal sector, in which I believe the removal of controls is not necessarily desirable, though it fulfils a need."

Main added that while many continue to believe SA is overshopped, this was only true in terms of meeting the needs of certain sections of the population. The corollary to this was that there would be continued opportunities in the industry for further retail developments.

So, while it appears that the property market is not yet out of the woods, and probably won't be for some time, it was refreshing that, at a congress of the stature of Sapoa, the consensus was that at last the economic barometer is beginning to point towards revival. ■

Nelspruit boycott hits shops

30

Star 6/6/91

By Clyde Johnson
Lowveld Bureau

NELSPRUIT — The consumer boycott, called for by the ANC to force the Government to release prisoners on hunger strike, ended its first day yesterday with some Nelspruit shops reporting steep drops in turnover.

Businesses that seemed worst affected were supermarkets — particularly those specialising in black trade.

By 5pm, one supermarket in Nelspruit, usually packed with last-minute shoppers, had mainly white customers. Only a few blacks stood in checkout queues.

Most food outlets and take-aways in Nelspruit reported business as usual.

One black woman, who asked not to be named, told The Star: "I live in Nelspruit with my employers and luckily am not affected.

"Those poor people in KaNyamazane are terrified of what would happen should they dare to disobey the boycott," she said.

But one young man said: "Once the food and drink is in my stomach, no intimidator can get it out."

Storeco buyout wins institutional support

Star 7/6/91

Diagonal Street (30)

ANN CROTTY

The management buyout at Storeco has attracted good support from institutions which have underwritten the offer to the minorities in pyramid Storeco (at R12 per share) and subsidiary Specialty (at 600c per share).

The joint managing directors of Storeco (formerly John Orr Holdings group) Stuart Cohen and Laurie Chiappini bought the Board of Executors' 29,5 percent stake in Storeco for R18 million, increasing their holding to 50 percent. Rand Merchant Bank is providing the necessary bridging finance.

Storeco owns 63,2 percent of Specialty's ordinary shares and 53 percent of the preference shares.

Mr Cohen and Mr Chiappini have formed a private company, Storecon which will hold 50 percent of Storeco.

Senior management in the operating subsidiaries will be offered up to 40 percent in Storeco with the rest being held by Cohen and Chiappini.

Because the deal resulted in a change of control, Mr Cohen and Mr Chiappini had to make an offer to the minorities in terms of the securities regulation code. Storeco minorities are being offered R12 per share and 600c a share for minorities in Specialty.

The offer has been underwritten by a number of institutions which were keen on making investments in the Storeco/Specialty group, but were unable to because of the low trade in the shares. In the 12 months to February, only 1,8 percent of Specialty's issued shares were traded and 2,9 percent for Storeco.

Mr Cohen says the deal will result in a better spread of shareholders in Storeco/Specialty group and will also improve marketability of the shares.

The Board of Executors has also disposed of its 10,6 percent direct stake in Specialty which its acquired during the 1986 rights issue. This stake has been placed with an unnamed institution.

Also, now that the uncertainty about the change of control in Storeco/Specialty has been removed, Mr Cohen reckons that the group will be able to attract some key executives.

Uncertainty about the control situation at Storeco began last year when take-over talks with the Pep Group failed.

"Our management team has been with the group for an average period of 12 years, but we are looking for one or two key executives."

Mr Cohen, Mr Chiappini and the Board of Executors acquired control of John Orr Holdings in October 1986 from the family of its founder, John Orr. Mr Chiappini and Mr Cohen had been acting as management consultants to John Orr's for the some time.

The John Orr's arm was sold to Tradegro, leaving three divisions, Miladys, The Hub and the cash retailing operations Mr Price and Footgear.

Mr Cohen says the Board of Executors had indicated over a period of time that it wanted to sell its shares in Storeco and concentrate on its core business the financial services.

"Early this year the BOE started a merchant banking operation with capital of R50 million. They needed more capital for the merchant bank," says Mr Cohen.

Vaal faces fresh shops stayaway

(30)

Star 10/6/91

By Melody McDougall Vereeniging Bureau and Sapa

The second consumer boycott in a year may be looming in the Vaal Triangle after last week's electricity blackout in six local townships, Vaal Civic Association chairman Malik Madise has warned.

A crippling consumer boycott — lasting more than six weeks in certain Vaal Triangle towns — was launched in the area by Cosatu in July last year.

Mr Madise said at the weekend that since the Lekoa Town Council's "harsh step" in cutting off the electricity supply — by which it coerced consumers to pay their bills in the face of stalled negotiations between the council, TPA and VCA — residents were considering embarking on another consumer boycott in neighbouring white towns.

"The Vaal Civic Association does not agree with the position held by the Lekoa council that all negotiating parties did not have a solution to the problem.

"Residents in the area did come forward with a tentative solution, in that Eskom should establish its own offices in local townships.

"This would mean that consumers could pay Eskom directly, as opposed to doing so through the Lekoa council," Mr Madise said.

He added that several meetings were held with Eskom which indicated that it could not meet this request because of Government legislation.

He also said the VCA warned the Lekoa council that the cutting of any essential services would be an indication of "negotiating in bad spirit", as it was previously agreed that services would not be affected while negotiations continued.

Mr Madise said that the VCA's standpoint following the blackout was still to negotiate with the Lekoa council and TPA for affordable service charges.

According to Mr Madise, the VCA was to meet at the weekend with various organsiations — including the ANC, PAC, National Forum and Cosatu — to discuss the present position and a possible consumer boycott.

Mass meetings to discuss the issue with local residents would follow at a later stage.

Since the blackout last Monday the power supply has been restored to certain areas in some of the six townships following a flood of late payments.

About 3 000 telephone lines in Sebokeng and Evaton have been affected by the blackout as exchanges in the area have been affected by the power cuts.

● The Pan Africanist Congress and ANC in the eastern Transvaal have clashed over a consumer boycott aimed at forcing town councillors to resign.

PAC spokesman Walter Lukhuleni disputed the ANC had consulted his organisation about the boycott and challenged the ANC to acknowledge peoples' right not to support the boycott action.

He urged the ANC to desist from unilateral decision taking on behalf of the masses and from using intimidation to ensure support for the boycott.

Mr Lukhuleni said the boycott action was contrary to the cordial relationship between the two organisations and the spirit of the Harare meeting.

ANC agrees to suspend Nelspruit consumer boycott

30

Star 20/6/91

By Clyde Johnson
Lowveld Bureau

NELSPRUIT — The consumer boycott, called for by the ANC on June 5 to force the Government to release political prisoners, is to be suspended from tomorrow.

After discussions between the ANC, the Afrikaanse Sakekamer, the Chamber of Commerce and the Nelspruit Town Council yesterday, it was agreed that the Chamber of Commerce and that Afrikaanse Sakekamer would approach the Minister of Justice and Correctional Services on the question of political prisoners.

The boycott suspension period will apply from June 21 until July 9 when the parties involved will meet again.

When the boycott was first called for, the ANC said it would last until political prisoners in Barberton Prison had been released.

A group of shoppers outside a Nelspruit supermarket were delighted when told yesterday that the boycott would end tomorrow.

"We have no food at home and cannot afford the exorbitant prices being charged by township shopkeepers. It will be wonderful being able to buy cheaply without intimidation again," a young mother said.

Get 'em to count out your change

Star 20/6/91

Star Line
JOHN MILLER

Believe it or not, the almost-forgotten custom of cashiers counting out change into the customer's hand is still official policy with the major supermarket chains even though it seldom happens in practice.

A spokesman for Checkers said that during training cashiers are taught the practice. Customers can insist that this procedure is followed.

The spokesman admitted that this often did not happen and attributed it to pressure at till points.

Sakkie Joubert, director of loss and expense control at Pick 'n Pay, confirmed that the practice is part of the chain's policy to ensure courtesy and that the customer is not under- or overpaid.

"This is part of our till training and procedure and is regularly checked by supervisors."

He said one of the major complaints about cashiers was talking to colleagues while ringing up items. "This should not happen."

A spokesman for OK described the staff's defiance of minimum standards as "a nightmare" and said it was closely linked to the current political situation.

The store adhered to the same policy as its competitors.

Lynne Morris of the Housewive's League said: "90 percent of people do not bother to check their change if it is merely dumped into their hand."

CNA Gallo seems to have a lot going for it

Star 19/6/91

Diagonal Street

30

ANN CROTTY

With the bleak times of the early Eighties well behind it, it seems CNA Gallo can do little wrong.

The group is the leading supplier of leisure, entertainment and information.

Given SA's demographic features, the most important of which is a growing population that is becoming more urbanised, an increasing demand for leisure/entertainment-related products seems to be an inevitable long-term trend.

Only the most severe of economic recessions is likely to cause a significant disruption of this trend.

What management has to ensure is that it can meet growing demands without straining the balance sheet.

The extent of CNA Gallo's success on this front is highlighted in its latest annual report, which shows that return on equity rose from 18 percent in financial '87 to 33,5 percent in '91.

Over the same period, margins rose from 6,7 percent to 10,5 percent, with gearing remaining a comfortable seven percent.

Growth (turnover up from R352 million in '87 to R798 million in '91) has all been comfortably funded from internal sources.

There has been no need to turn to shareholders for additional funds and relatively low borrowings mean returns to shareholders have not been squeezed by the need to pay high interest costs.

The investment community recognises the attractiveness of CNA Gallo.

The annual report shows the sharply increasing trend between the share price premium and net asset value.

At the end of financial '87, the share price of 345c was relatively close to the NAV of 234c.

By end-financial '90, the price had surged to R12,25, compared with a NAV of 406c.

The premium was even higher at the end of financial '91 when the share price was R24,25 and NAV 504c.

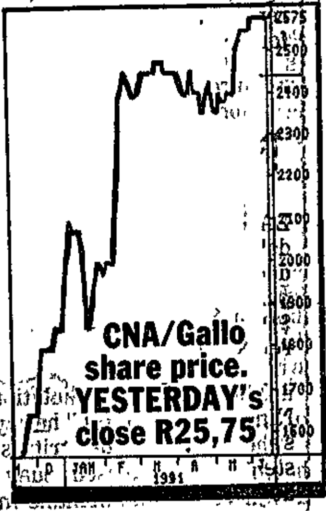
The trend in the P/E rating is less extreme. Comparing the share price at year-end with the earnings achieved in that year shows the market sustaining a P/E rating of around eight times until the end of financial '91 when the rating soared to over 14.

Significant features in the end—March '91 balance sheet included a considerable increase in investments in associates — up to R103,6 million from R77 million.

Chief executive Dennis Cuzen says much of this reflects the increased stake CNA Gallo has in Waltons Holdings (up from 14,7 percent to 20,2 percent) and the increase in the market price of that share.

The 50 percent stake in Nu Metro lifts the value of associates.

With considerable help from creditors — up from R132 million to R166 million — group working capital was slightly down at R10,4 million.



Boycotts hurt N Tvl towns

Star 22/6/91

DIRK NEL

THE Northern Transvaal boycott co-ordinating committee, representing the ANC, Azapo and Cosatu, this week claimed its action in towns in the area was "99-percent effective".

According to a committee spokesman, the Conservative Party town of Potgietersrus has been hard hit. A boycott was launched there after the chief magistrate rejected a Cosatu-called march on June 15.

However, businessmen in the town are adopting a "wait-and-see" attitude and believe most white-owned shops will survive until a solution to the deadlock is found.

In Messina, an Afrikaanse Sakekamer spokesman said the town's economy had been hit hard.

Town councillor Jack Klaff said negotiations were under way to end the boycott, organised by the Nancefield Civic Association, who are demanding the resignation of the Nancefield Town Council.

A boycott is being planned in Pietersburg next week, to protest against the town council's refusal to allow a June 16 march.

However, chamber of commerce chairman Frank Greyling said his organisation had set up a meeting to discuss the issue on July 1 and the ANC, he said, had accepted an invitation to attend.

Confusion over Dutch interest in Checkers

MARCIA KLEIN

DUTCH wholesale company Unigro's position on a possible takeover of Checkers appeared an unknown quantity yesterday.

A report yesterday in Sake-Beeld quoted Sankorp chairman Marinus Daling saying at this stage it seemed unlikely a transaction would materialise and so negotiations with Unigro had been ended.

He said discussions were continuing with local parties.

However, a Sankorp spokesman said yesterday all parties interested in Checkers still stood a chance, including Unigro. Daling was not available for comment.

Unigro director Hank Dekker said yesterday Unigro was still interested in Checkers.

He was surprised to read that negotiations had been called off, as they had not yet taken place, because Unigro was still investigating a possible deal in-house.

13 Day 4/6/91

30 250 658

Non-residential sector stagnant

B/Day 5/6/91 (30)

LINDA ENSOR

CAPE TOWN — The non-residential property market is largely stagnant with market rentals declining in real terms, but the residential sector is still buoyant in most areas, the latest quarterly Rode's Report on the South African property market says.

As the property market lags the business cycle, no change is expected soon.

House prices in Johannesburg and Cape Town have performed exceptionally well, especially in the upper bracket, the report adds. However, the growth rate in flat rentals is slowing down in the Transvaal.

The report says no significant movement in capitalisation rates have been noted in the first quarter of this year compared with the previous quarter.

Grade A office rates are generally moving sideways as they have been doing for over a year. Rode reports that for the second time in recorded history, capitalisation rates for Grade A offices in the Cape Town CBD are lower than those in central Johannesburg and are now on a par with sought-after nodes of Rosebank and the Sandton CBD.

Capitalisation rates for shopping centres showed little variation in the first quarter though there was a significant decline in Cape Town and Durban rates over the past year, boosting capital values.

"Industrial rates showed little movement in the first quarter, but also show a downward trend over the past year."

In the medium term property unit trusts and loan stock companies are still offering good value at their current price relative to directly-held property and industrial shares.

The report says the decline in real terms in the office market continues as nominal office rentals still remain largely stagnant. "In addition, negative take-up has reared its head over the past six months in Braamfontein and Pretoria CBD."

According to Rode, shop rentals have hardly changed in nominal terms in the last quarter while industrial rentals declined in nominal terms.

"Seen over the longer term, rentals of smaller units have held up better."

Non-residential building activity is still relatively buoyant as a result of which contract prices, as measured by the BER Building Cost Index "are still growing at a surprisingly high rate".

"Residential building costs reflect the sorry state of this industry. At the end of last year, contract prices for mass housing schemes were growing at 10%, compared with 12% for custom-built houses."

COMPANIES

Storeco MDs gain full control in R18m takeover deal

BDay 4/4/91

MARCIA KLEIN

STORECO joint MDs Stewart Cohen and Laurie Chiappini have taken over the Durban-based clothing retailing group in a transaction worth R18m.

Cohen and Chiappini announced yesterday that they had increased their stake in Storeco, holding company of Specialty Stores, from 20,5% to 50%. This was achieved via the acquisition of 1,5-million Storeco shares at 1 200c each (equivalent to 600c per Specialty share) from the Board of Executors (BOE).

Cohen and Chiappini intend to retain the listings of Storeco and Specialty — the operating company which controls retail chains Milady's, The Hub, Mr Price and Footgear.

Because of the change of control, Cohen and Chiappini have made an offer to Storeco and Specialty shareholders to acquire their shares at 1 200c and 600c respectively.

BOE made it known that it wanted to concentrate its investments in the financial services area following the introduction of the Deposit Taking Institutions Act and the establishment of BOE Merchant Bank.

Chiappini said: "We are delighted to have achieved this deal which removes the uncertainty of control and simultaneously gives us the support of an experienced and committed management team."

BOE MD Bill McAdam said the transaction ended "a highly successful partnership" between BOE and the two joint MDs, and he was confident Storeco would continue to show excellent growth.

Cohen and Chiappini had taken over the John Orr company in 1986 with BOE, and over the past five years Specialty achieved a 41% compound growth in attributable income.

30

Big rise in use of gold for jewellery

Bday 24/6/91

BRENT VON MELVILLE

THE use of gold for local jewellery manufacture has more than doubled since the scrapping of the ad valorem tax and the reduction in the required added value content of jewellery last year.

Last year, SA's level of gold fabrication was 15t. Ten tons were used in electronics, dentistry, industrial coin manufacture and 5t in jewellery manufacture, a jump of 138% over the 2,1t used the previous year.

But former Chamber of Mines president Clive Knobbs says that level is not nearly high enough.

"On the world stage of gold jewellery fabrication SA remains a very small player, accounting for only 0,6% of total world usage of gold for jewellery," Knobbs said at the opening of the recent Jewellex '91 at Kempton Park.

Knobbs said jewellery exports from SA to the western world were valued at R10m last year. Local jewellery purchases by foreign tourists visiting SA was a massive R150m.

The problem in SA was that jewellery was purchased mainly for adornment rather than as an investment. He said there was considerable scope for expansion of the local market by promoting gold jewellery as investments.

Council for Mineral Technology (Mintek) president Aidan Edwards has said SA should aim for 100t of gold jewellery by the end of the century. That could earn up to R1bn a year in foreign currency and create thousands of jobs.

Flexibility in medical benefits

DARIUS SANAI

PROPOSED changes to medical aid structures will mean patients will have to pay for treatment before being reimbursed and companies will be able to shape benefits privately. Bday 24/6/91

These conclusions were presented over the weekend in an analysis of proposed changes to the Medical Schemes Act by Old Mutual's Employee Benefit Centre.

"In the proposed new system, members of medical schemes may be made responsible for paying all their medical accounts themselves. Members would then claim from their medical scheme," the analysis says.

Old Mutual Employee Benefits assistant GM Henk Beets says the proposed changes will also give employers and employees far greater flexibility in deciding how to structure benefit levels.

One of the most important of the proposed changes is the removal of current minimum and maximum benefit levels, says Beets.

"Members, through their employee groups, may then be able to choose the level of benefit best suited to their needs."

The removal of the guaranteed payment system, whereby the suppppliers pay doctors directly for treating patients, will result in much stronger links between patients and suppliers, he says.

However, Beets warns that some patients may be lured into saving money by drawing insufficient medical cover on the new scheme, and discovering to their detriment that their costs will not be paid.

Business criticises aims of city council's budget

DARIUS SANAI

THE Johannesburg Chamber of Commerce and Industry (JCCI) has strongly criticised the city council for aiming last week's budget increases at business targets.

JCCI CE Marius de Jager at the weekend expressed his "grave concern" about the possible effects of the city budget.

He was responding to a statement on Thursday by council management committee chairman Ian Davidson that the city's budget should "in some small way attempt to redress the imbalance" in the state Budget between business and private individuals.

Davidson said business would shoulder the lion's share of the council's increase in spending of 25%.

Chamber of Commerce President Mike Cato dismissed Davidson's comments as "a lot of nonsense".

"He has no right to cast himself as some kind of an equilibrium maker between the federal and local budgets," he said.

The budget was "upsetting" because it would penalise business, Cato said.

De Jager said the decision contradicted the council's policy of encouraging business investment in Johannesburg.

"It will mean that businesses thinking of moving here will decide they are better off in Maritzburg, Durban, or Pretoria."

He added that while nearby municipalities such as Midrand were offering incentives to business to relocate there, the Johannesburg council's action would act as a disincentive.

"The decision is a bad one given the objectives the council has set out of attracting companies."

"It is not the role of the local authority to redress what it perceives as imbalances in the state Budget."

ANC calls for boycott in support of prisoners

B/Day 5/6/91.

WILSON ZWANE

THE ANC has called for an indefinite boycott of white-owned businesses in the eastern Transvaal in solidarity with prisoners particularly those on hunger strike.

Addressing a media briefing yesterday the ANC's eastern Transvaal branch publicity secretary Jackson Mthembu said the consumer boycott would begin today and would affect 30 towns in the region, including Barberton and Bethal.

"The boycott will go on until all prisoners presently on hunger strike at the Barberton and Bethal hospitals are released," Mthembu said.

He said the protest action would be effective as the ANC enjoyed "massive" support in the region.

He said the ANC had held talks with hunger-striking prisoners during which "it was recommended that they suspend their protest action because the entire region is now joining the battle to ensure their release".

One hunger striker was being held at Witbank Prison and 12 at Bethal Hospital. One hunger striker, Absalom Mdluli, was released from Barberton Hospital on Monday, leaving six other hunger strikers in that hospital, Mthembu said.

Refusal

A Correctional Services Department spokesman confirmed that Mdluli had been released.

The Human Rights Commission (HRC) said in a statement that 40 prisoners were still on hunger strike, 25 of who began their 35th day of hunger striking yesterday.

ANC spokesman Patrick "Terror" Lekota said government's refusal to release "genuine political prisoners" was an indication that it was not committed to the establishment of a democratic order.

"How does the government hope to create a climate conducive to a negotiated settlement if it refuses to release people who have been convicted of politically motivated crimes?"

He added that government's approach to the whole issue of political prisoners was arbitrary.

Wits Medical School professor Dr John Kalk said 10 prisoners on hunger strike at the Johannesburg Hospital were in a bad condition and some of them had lost up to 20% of their body weight.

"Kidneys of all prisoners are in an unstable condition," Kalk said.

Stock shortage keeps the Cape sector healthy

30

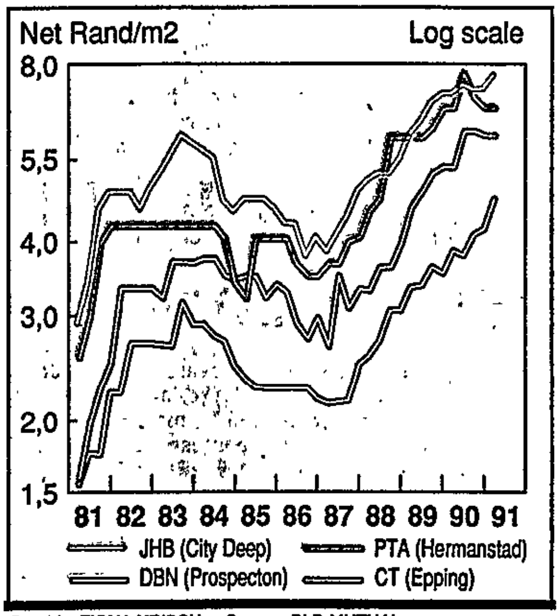
B/Day 18/6/91.

THE commercial and industrial property market in the Cape is in good health, largely as a result of a severe shortage of good stock and because it is a preferred investment area.

Pam Golding commercial and industrial division GM John Pistorius says buying pressure from local and, to a lesser extent, overseas investors who regard the Cape as less risky than other areas, contributes to the healthy market.

"A number of people are coming to the Cape looking for business opportunities and a better quality of life. Our problem is to find suitable properties," Pistorius says. As a result, prices are solid.

Prime industrial rentals



Graphic: FIONA KRISCH Source: OLD MUTUAL

Secure

Divaris Real Estate marketing director Philip Upton says that while smaller investors have opted out of the market in the short term, it is the medium to institutional purchasers who are trying to acquire a secure, well-let investment at a realistic return.

"The shortage of good investment property which is not overpriced is the major problem in the market place," he says.

The Cape's preferred investment area status is also reflected in the narrowing of the capitalisation rate gap between Johannesburg and Cape Town, Pistorius says.

"Another indication of the buoyancy of Cape Town's commercial and industrial property market is the low vacancy factor in the CBD compared to the Johannesburg CBD."

The Roode report on property shows in the last quarter of 1990 the vacancy factor for A and B grade properties in Johannesburg was 12,2%, whereas in Cape Town it was 4,1%, Pistorius says.

However, Upton feels that the office market, like the other property sectors, is becoming over-supplied, with heavier demands being made by tenants negotiating new leases and renewal contracts.

"In these changing political and economic times, it is difficult to predict what might happen.

"But the office market seems to be softening and landlords will need to take a realistic view when negotiating with prospective partners," he says.

Prime commercial investment properties are looking for returns of between 10% and 11%, whereas secondary located properties are fetching between 11% and 12,5%, Upton says.

Despite the cooling off of the economy, Divaris investment sales division concluded R46m worth of property transactions.

After experiencing a dip in the industrial sector towards the end of 1990 and the beginning of 1991, the industrial market appears to have stabilised, with demand in areas such as Montague Gardens and parts of the southern suburbs, Upton says.

Increase

However, the availability of space is on the increase, with rental levels from R3m² to R12m² for premises in the range 100m² to 500m² being obtained.

"There is demand for investment industrial property, which yields from around 10,5% to 14%," says Upton.

"It has been shown from UK studies that productivity rises as much as 30% to 40% when staff are relo-

but also for those who drive past or live nearby."

The onus to improve the environment seems to rest with the private sector,

... have the landscaper in at the start of the development.

While this doesn't cost any more, it often saves vast amounts, as the envi-

The completed phases are fully tenanted, which shows business is aware these developments offer a profitable alternative, he says.

Alrode South points the way

BDay 18/6/91. (30)

ALRODE South has emerged as a microcosm of the new South Africa, with a mix of black and white industrialists, says Investron MD Allan Goldring.

The township was one of the first white industrial areas to obtain exception for black ownership under the Group Areas Act and, as a mixed society laboratory, is further down the road than most other industrial townships, he says.

Goldring took the initiative in obtaining government approval for black businesses to move into Alrode South, and he says the experiment is a success.

"Black entrepreneurs in black townships are faced with many problems, the size of premises being just one of them, with many having to set up in their backyards," Goldring says.

The reluctance of white businesses to deliver raw materials into a township or to visit a place of business in a black area is another problem.

Investron specialist black industrial land salesman Charles Ntuli says: "I worked for an oil company for nearly eight years and they had a policy of encouraging business with blacks.

"In keeping with that, I generated business for a township stationery supplier, but when I went on leave none of the white employees would venture into the township and the venture failed."

However, at Alrode South, major benefits accrue to black businessmen, such as reduced finance and insurance rates, disruption-free environment, good transport links, proximity to markets and access to new ideas in technology and marketing.

"Unrest has hit black businesses in the townships and there is a natural eagerness to vacate these areas.

"The publicity surrounding the opening of Alrode South produced an immediate response from black entrepreneurs, ranging from panel beaters to distributors, small tool repairers and investors wishing to erect buildings to lease," Goldring says.

There are many black businessmen in the area, with investment amounting to about R2,5m.

Investron runs seminars aimed at introducing blacks to factory ownership and land-related issues. These are well attended.

"Black businessmen are often knowledgeable in their own fields, but as industrial land has not been available to them on a freehold basis in the past, it is necessary to upgrade their know-how," Goldring says.

Ntuli says black entrepreneurs like the idea of ownership. They understand the benefits of the appreciating market value of premises.

The white industrialists in the area have no objections to black entrepreneurs moving in, with many seeing this as an opportunity to do business, such as sub-contracting.

"Business offers common ground and fewer opportunities for cultural conflict than could arise in a residential area, for example.

"Entrepreneurs share common goals, regardless of race," Ntuli says.

Discount House Risk Management (DHRM), which also handled MS 101.

"Sasfin will now be able to grow its instalment finance business without resorting to increased equity capital or limited bank funding," said Sasfin MD Roland Sassoon.

institution was adhered to by using Mercantile Bank as an intermediary. Mercantile received an upfront, one-off fee, said Jacobs.

"We see this as an innovative step towards the securitisation of many other types of assets," she said.

Small firms 'vital to economy'

THEO RAWANA

THE growth in the number of British small companies to 2,5-million over the past 10 years had meant that 96% of all UK businesses were employing fewer than 20 people, British Small Business Minister Eric Forth said yesterday.

Addressing Nafcoc's National Industrial Chamber annual conference in Johannesburg, Forth said this was "a staggering increase of 373 000 or 100 additional businesses a day".

"In the 1980s firms which employed fewer than 20 people created more than 1-million jobs. In comparison, larger firms created half-a-million jobs over the same period.

"Small firms are an essential part of a healthy economy. They will produce industrial leaders of the future by maximising the range of choice available through market provision and challenge the dominance of existing market leaders," he added.

Sapa reports that businessman Gab Mokgoko said the battle for a better deal for black businessmen was not over despite the events which had changed the "old" SA over the past 30 years.

Mokgoko told the conference black manufacturers should improve their technical skills through association with other businesses and private research institutions and through technology transfers with other innovator businesses in SA or abroad.

Black businesses should refuse to remain small indefinitely, and should lobby government for a better deal and campaign for the creation of a department of small business.

Sowetan 20/6/94

Name and shame of Verwoerdburg

Sowetan 3/6/91

VERWOERDBURG is feeling the economic pinch of its name and there are growing moves to change the town's name because of the political connotations and rid the area of its "name and shame."

Most businessmen attending a forum, hosted by the Verwoerdburg Town Council, on the future of Verwoerdburg, last week said the town was losing investment opportunities because of its name, which foreign companies saw as being synonymous with apartheid.

But most rightwing organisations - and Dr Verwoerd's widow - have slammed the proposed change.

Mr Louis Norval, of the Verwoerdburg Central Business District Association said changing Verwoerdburg's name was an emotional issue, but support for a new name was based on economic realities.

"We are losing many possible investors and development opportunities," he said, explaining that multinational companies would not even allow the name "Verwoerdburg" to appear on their letterheads; they preferred to invest in towns like Midrand instead.

Norval said the CBD Association had conducted a poll on the issue among local businessmen at the end of last year, and 50 percent had supported a name-change. The other 50 percent were either opposed to a change, or did not have an opinion.

Mr Dudley Pound, also of the CBD Association, said a change of name would be in the interests of Verwoerdburg, especially its main business area.

Mr Reg Edwards, of Stocks and Stocks, said he supported a name-change from a "'practical point of view", as this would "be good for Verwoerdburg".

Town councillor Mr David van der Bijl said Verwoerdburg should have a name that did not have "political connotations".

"We are losing business and playing second fiddle to surrounding towns," he said, adding that the naming of the town in the late Sixties had been an "historical error".

The town's council had chosen the name "Doornkloof", but this was rejected by the then administrator of Transvaal, who named it Verwoerdburg instead after the assassination of Dr Hendrik Verwoerd in 1966.

Minorities slam retail giant's restructuring

CT 29/6/91

(30)

By ARI JACOBSON

THE re-organisation and unbundling of retail giant Tradehold has come under sharp criticism from minority shareholders.

These shareholders contend that the unbundling process which includes the conversion of debentures into ordinary shares will prejudice them.

The Tradehold directorate considered it a misinterpretation of the facts.

In the current share capital situation, Tradegro has 68m issued shares — 54,6% of which are owned by Tradehold. Sankorp in turn owns 73% of Tradehold.

There are two lots of debentures to be converted on a one-for-one basis in Tradehold — 22,7m shares with an additional 8c cash for every 135c debenture and 65m with an extra 5c for every debenture of 103c.

Tradegro's debentures with 67m shares at 150c in issue are 84% owned by the Sankorp/Tradehold combination.

The other set with 49m in issue is 13,6% held by Tradehold and some 67% by institutional allies.

The dispute by minorities involves the "controllers" giving themselves a bigger slice of the assets, through the conversion.

These debentures should only have been converted into shares after attaining a certain taxed profit (based on a complicated formula), which has never been achieved, they said.

Further, some minorities paid 300c a share for preference shares in Tradegro which failed to live up to expectations and is at a current market price of about 165c a share.

Those debentures issued at 150c, however, are now valued at 231c a share.

This is so, because on conversion and with the unbundled Metro, Cashbuild and Premier stakes — it works out to an 81c premium on the debenture price.

But Tradegro's financial director Bill Chambers said that all financial statements of the group were organised to include the fully-diluted effect on conversion.

"A careful perusal of the documents would show that there has been no change in the holdings in the Sankorp stable, before and after these debenture conversions," he said.

Chambers added that debenture holders were giving up a guarenteed 13% interest payment, for an unpredictable income flow through a share holding rather than the debt instruments.

W Rand consumer boycott suspended

(30) CT 29/6/91

KRUGERSDORP. — Officials of this town's Conservative Party-controlled council yesterday managed to secure — by way of negotiations with ANC-supporting community organisations — an end to a two-month-long consumer boycott which crippled the town.

A joint statement issued by the council, the Consumer Boycott Committee and the Traders in Crisis Action Committee said the consumer boycott had been suspended for one month "to strengthen the negotiation process".

In terms of the agreement, the suspension of the boycott hinges on the main condition that the Krugersdorp Town Council assists "as much as possible" in the reconnection of electricity to the black township of Munsieville.

The boycott organisers agreed to ensure that black township residents pay electricity accounts regularly. — Sapa

'They helped me, now I help them'

clpm 16/6/91

Dorp sees red as former (30) CP member joins the ANC

By ELIAS MALULEKE

A MESSINA shopkeeper and former CP member shocked townsfolk when he joined the ANC late last year.

Today his shop is the only in the conservative town exempted under the hard-hitting 16-day-old consumer boycott.

"I have seen the light and there is no ground for looking at people with different skins as inferior We are all human beings," said AD Nienaber, a Messina farmer and businessman who defected from the Conservative Party to join Messina's Nancefield township ANC branch.

Nienaber is in his early 60 s, frail and a chainsmoker, but he has unleashed the wrath of rightwingers who are rallying against him.

He is the first known white person from the conservative dorpie in the far northern Transvaal near the Zimbabwe border to sign up with the ANC.

Rightwingers in the town are pouring scorn on him, and last weekend his house was stoned.

Nienaber told City Press he was not concerned about threats to his life, but feared that too much media exposure of himself and his business could hurt Nancefield residents.

"The change of attitude against me is not important. My real worry is that the rightwingers have started going around telling farmers and distributors to stop supplying me with goods, and if the locals cannot get essential supplies their cause will be lost because it will break the boycott."

He was already unable to purchase some goods for his business due to a "counter" boycott.

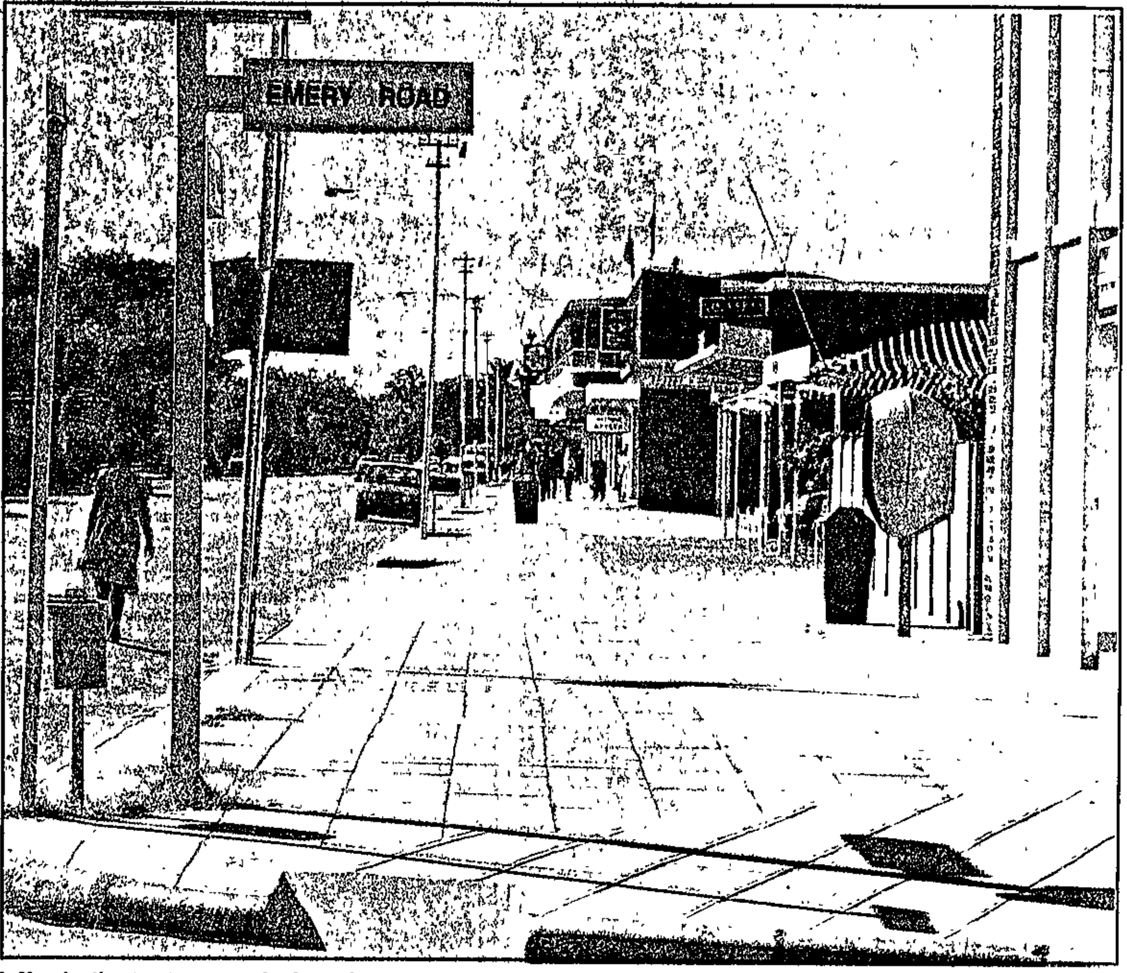
A former Nationalist who later joined the CP, Nienaber joined the ANC late last year after doing some "soul searching" concerning the hatred he observed blacks directing towards whites

Nienaber said he had been serving Nancefield residents for ages without any problem, but his shops were also boycotted along with those of other white businessmen when blacks launched a another week-long consumer boycott last year.

"I was snubbed by the people and asked them why, because they have always been friendly and supportive. They told me many grievances which I did not know existed."

Nienaber said he realised what apartheid was doing to people who suffered under it, but his eyes were finally opened when he had financial problems and started losing his businesses.

Said Nienaber: "I was losing businesses left, right and centre, but my own white people did nothing to help. Instead they were the first to rush to buy my livestock.



In Messina the streets are so quiet due to the consumer boycott that one can hear the flies buzzing accross the road, a shopkeeper told City Press. One shopkeeper, however, has been exempted. He is former CP member AD Nienaber, 60, who joined the ANC last year.

'All that buzzes here are the flies'

c/prm 16/6/91 (30)

By ELIAS MALULEKE

AN INDEFINITE consumer boycott in its 16th day has crippled businesses in CP-controlled Messina, and unless detained community leaders are released by today, the northern Transvaal town, will suffer a seven-day work stayaway as well.

This ultimatum was issued at a joint meeting of the local ANC branch, the Messina Civic Association (Meca), the Messina Action Committee (Mac) and representatives of teachers' and students' bodies in Messina's Nancefield township on Wednesday.

Senior members of the ANC, Mac and Meca were detained under Section 50 of the Internal Security Act last Friday and Saturday. Their arrests have been linked to the boycott.

They are the ANC's Jacob Matakanye, also director of the Messina Advice Office; Rev Lesiba Matsaung (Meca); Portia Kundhlane (ANC), Abel Dube (Mac); Abram Leruli (Meca/ANC) and Samuel Ramabulana (ANC).

Matakanye, Kundhlane and Leruli are members of the ANC monitoring group liaising with the police in Messina.

Their arrest and that of 12 youths has also sparked a school boycott in the township. Some of the detainees are teachers and students.

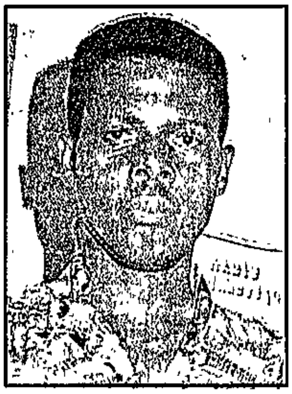
The youths were rounded up earlier in the week and charged with intimidation, and on Wednesday police arrested Rev Matsaung's wife, Georgina, and charged her with intimidation.

Matsaung was granted conditional bail of R300 when she appeared in the Messina Magistrate's Court this week. She must report to police twice daily at 6am and 6pm. The youths, ranging in age from 14 to 16, were refused bail.

The chairman of the ANC branch, Jack Mokobi, said the consumer boycott started on June 1 as a symbolic protest to force Nancefield Town councillors to resign, and for the ending of grand apartheid in Messina.

"The boycott will show the powers that be that the ANC and the community condemns the continued detention of members of both the civics and the ANC. We demand that they be charged or released," he said.

Mokobi said the police role in detaining and "harassing" leaders and the community was a clear attempt to support "discredited" local authorities and



Jack Mokobi ... this is not what Vlok and De Klerk promised.

the maintenance of apartheid in the town.

"The police action negates what (Law and Order Minister Adriaan) Vlok terms: 'the a-political role of the SAP' and (President FW) De Klerk's claims that an atmosphere of 'free political activity has been created'," he said.

Businesses in the town are reeling from the effect of the boycott. Not one black person has been seen entering any of the businesses, except that owned by ANC member AD Nienaber

"The truth is, it is so quiet you can even hear a fly buzzing across the street," said one shopkeeper.

The grievances that led to the boycott and the demand for councillors to resign include:

- High services charges;
- Favouritism in allocating houses;
- The installation of the electricity coupon system in houses without consulting with the residents;
- The demolition of backyard shacks.
- Whites running businesses in the township; and
- The employments of whites in the local administration offices while many blacks are unemployed.

City Press was unable to get any member of the local council to comment.

However, in a pamphlet distributed in the township in response to the claims against the council, mayor MJ Chauke said all complaints were unfounded.

This land is my land, no it's your land

Readers' Hotline

break the boycott."

He was already unable to purchase some goods for his business due to a "counter" boycott.

A former Nationalist, who later joined the CP, Nienaber joined the ANC late last year after doing some "soul searching" concerning the hatred he observed blacks directing towards whites.

Nienaber said he had been serving Nancefield residents for ages without any problem, but his shops were also boycotted along with those of other white businessmen when blacks launched a another week-long consumer boycott last year.

"I was snubbed by the people and asked them why, because they have always been friendly and supportive. They told me many grievances which I did not know existed."

Nienaber said he realised what apartheid was doing to people who suffered under it, but his eyes were finally opened when he had financial problems and started losing his businesses.

Said Nienaber: "I was losing businesses left, right and centre, but my own white people did nothing to help. Instead they were the first to rush to buy my livestock, businesses and premises.

"I was on my own, but Nancefield residents rallied around and supported the one store I had left. They lifted me out of heavy financial difficulties and now it is my turn to thank them and the only way is to identify with their cause.

"When I was asked to join the ANC, I did not hesitate to sign on the dotted line, because firstly, the ANC is unbanned, secondly it is a political party and thirdly, this is a free country — or isn't it?"

Asked what his wife and other family members thought about his ANC membership, Nienaber said they had the right to think right or wrong of him, but he knew his own destiny.

"The truth is, everyone has the right of affiliation in a democratic society and if they want to stay as they are, it is fine, but I have chosen the way forward ... Amandla!"

'All

By ELIAS MALU

AN INDEFINI in its 16th day in CP-controlle detained comm leased by today, town will suff stayaway as wel

This ultimatu meeting of the Messina Civic Messina Action representatives dents' bodies in township on We

Senior memb and Meca were 50 of the Inte Friday and Sa have been linke

They are th kanye, also di Advice Office; (Meca); Porti Abel Dube (Ma ca/ANC) and (ANC).

Matakanye, are members o group liaising Messina.

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