COMMERCE — GENERAL

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Makro set for takeover

Business Staff AG 2/9/92 30

WOOLTRU subsidiary Makro is set to take over Shield Trading Corporation, one of the country's most successful small wholesaling operations.

The suggestion was partially confirmed by Makro managing director Mark Lamberti at a presentation in Johannesburg last night.

He said: "A major acquisition with fantastic synergies with Makro will be announced within 48 hours."

Wooltru set to announce Shield Trading takeover

BDAY 2/9/92 (30)

MARCIA KLEIN

WOOLTRU is set to announce its acquisition of food cash and carry business Shield Trading within the next two days.

The deal will be concluded through Wooltru subsidiary Massmart, which holds Makro, Makroffice and the recently acquired liquor retailer Drop-Inn. Shield Trading recently cautioned shareholders that it was involved in negotiations.

Speaking at an Investment Analysts Society meeting last night, Massmart MD Mark Lamberti said Massmart would announce a major acquisition within the next 48-hours. The newly acquired company would have exceptional synergies with the existing businesses.

Wooltru CE Colin Hall said the announcement could not be made yesterday as privileged communications still had to go out.

Hall said the past financial year, in which Wooltru's earnings dipped by 38% to 263,3c a share, was the worst in the group's trading history.

However, Wooltru had taken a long-term view and was well into its programme of focusing on quality, pricing and the customer.

Wooltru had identified some controllable variables which would be present in the long term. These included a shift to black staff and customers, informal sector growth, growth in urban stores and a southern African approach to business.

It had made a long-term decision to continue to revitalise Woolworths, expand Speciality Retail Group (which largely comprises Truworths), develop and acquire properties and increase Makro's size by 40%.

He said Wooltru had always had a strong cashflow, and its cash generating capacity was essential to its long-term future.

Woolworths MD Syd Muller said Wooolworths' market share had been dropping for the past 10 years. The planning of the revitalisation of Woolworths had begun two years ago.

Woolworths had concluded excellent quality at reasonable prices was a sustainable formula, and this should be the area of long-term focus.

Woolworths was investigating widening the payment choices for its customers, but it would remain a cash business and the changes would not affect its pricing structure or its margins, Muller said.

Lamberti said Massmart had budgeted for a turnover of R2,7bn in the current year, and Makro had budgeted for R1,6bn out of only nine stores. Sales per employee and sales per square metre were higher than its major competitors.

He said Makro's profits had fallen largely due to rapid new store development and poor trading conditions.

But it had gained market share since the introduction of VAT, and the liquor division had shown growth.

The acquisition of Drop-Inn had made Makro the second-largest liquor store group after Western Province Cellars.

Wooltru's Makro tipped to buy Shield Trading

STAR 2/9/92

By Derek Tommey
and Stephen Cranston

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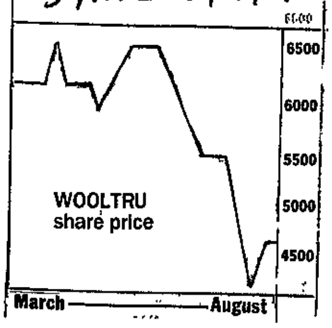


Shield Trading Corporation, one of the country's most successful small wholesaling operations, could be on the verge of being taken over.

Market sources suggest that the probable buyer is Wooltru's Makro operation.

The suggestion was partially confirmed by Makro MD Mark Lamberti at a presentation in Johannesburg last night.

He told the Investment Analysts' Society that "a major acquisition with fantastic synergies with Makro will be announced within 48 hours".

Shield MD Theo Muller said last night that takeover negotiations were in an advanced stage and that an announcement would be made soon.

Mr Muller and his partners launched Shield in 1971 and own 71 percent of its 33 million issued shares.

Shield shares closed at 180c last night, putting a market value on the company of almost R60 million.

In its last financial year Shield increased its turnover by 21 percent to R782 million, earnings by 29 percent from R4,2 million to R5,4 million and the dividend by 33,3 percent from 6c to 8c a share.

Shield's success derives from its method of operations. It has almost 400 franchisees to whom it supplies packaged goods.

Although it trades predominantly in the black market, it has not been much affected by township unrest thanks to the wide geographical spread of its franchisees.

Mr Muller said the past six months had been satisfactory and that the company should be able to report a 26 percent improvement in earnings.

Shield's major shareholders have been seeking a suitor for some time, possibly because they are growing older and management succession might prove a problem.

In 1990, Metro, Sentra and Pepkor were rumoured to be possible buyers.

Earlier this year, Premier, which last year bought Metro and Score, was mentioned as a suitor.

However, market speculation is that the likely buyer now is Wootru's wholesale group, Makro.

Wooltru has been using the recession to build its asset base.

As well as expanding Makro's trading space by 40 percent since 1990, it has bought the Drop Inn liquor group.

In a report issued just over two weeks ago, the company said it planned to continue investing heavily in trading assets.

Wooltru added it was "confident that the impact on current profits is warranted by the increase in shareholders' wealth and high returns".

"The strength of our cash flows and our unique financial resources make this counter-cyclical strategy feasible."

Buying Shield would therefore not be out of line with Wooltru's policy and the deal could produce considerable benefits.

Moreover, in view of the depth of Wooltru's management resources, it should have little difficulty in finding trained people to succeed Shield's current management when they retire.

The question overhanging the transaction is how much a potential buyer is prepared to pay for Shield.

Since Christmas, Shield's share price has almost doubled, gaining 80c; 25c of this gain has been in the past two weeks.

Is the current price of 180c overvaluing the share — or does it look attractive to a would-be buyer?

Massmart takes over Shield in R61m deal

Bday 3/9/92 (30)

MARCIA KLEIN

WOOLTRU subsidiary Massmart had acquired the operating assets of Shield Trading in a R61,05m deal which would see Shield delisted from the JSE, the companies announced yesterday.

The price was equivalent to 185c, representing a small premium on yesterday's closing price of 180c a share. Shield would delist following payment to shareholders — in cash and by way of a dividend.

Massmart MD Mark Lamberti said yesterday the Shield operating assets would be housed in a new company, which would be held 66% by Massmart and 34% by Shield's senior management. Massmart would pay R40m and management the remaining R21m.

In a joint announcement, Shield and Massmart said Shield's disposal would be effective from March 1.

Shield shareholders would receive the disposal amount as well as interest after providing for tax and other liabilities. It was estimated that the amount available to shareholders would be 183,8c a share.

Shareholders would receive a special dividend of 169c a share, after which Shield would be placed in voluntary liquidation. Shareholders would be paid a capital liquidation dividend of about 14,8c a share.

Lamberti said Massmart was buying Shield's formula as well as its superb management. The business fitted in well with Massmart's strategy "of providing high volume, low margin distribution methods to bring prices within reach of the mass market".

Shield acted as a voluntary buying organisation, providing services to its 400 franchised wholesale and retail members. The outlets' cumulative turnover was R782m in the year to end-February.

Lamberti said that both Shield and Massmart subsidiary Makro would benefit from better buying in the same group, and Shield would gain access to buying expertise of a broader range of general merchandise.

He said there was a possibility that Shield members would be able to buy from Makro on credit which Shield financed. A large portion of its credit was underwritten by Credit Guarantee Insurance, and Shield's structure was geared to handle debt, Lamberti said.

Shield's turnover had grown by a compound 26% in the past five years, and taxed profit by 28%.

Shield joint MD Mark Smith said Shield directors were "positive that synergies exist and that shareholders will be offered significant benefits".

Massmart, whose subsidiaries include Makro, Drop-Inn and Makroffice, expects sales of R2,7bn in the current year.

Chains defend their policies (30)

Star Line Reporter STAR 3/9/92

The three leading supermarket chains have not forgotten the plight of pensioners and review their social and community schemes regularly.

Pensioner privileges range from six percent discounts, to R1 off meat purchases, to tea parties.

Mervyn Kraitzick, marketing director of food, OK Bazaars, said the store was one of the first to offer a discount scheme.

This entitled pensioners with a State pension card to purchase up to R100 worth of items every Tuesday with a six percent discount.

Pick 'n Pay has established a VIP hyper club limited to 1 500 people per store. While this system is often subject to a waiting list, a spokesman said delays were not more than a couple of months. Members were often bused into stores and received a monthly booklet of discounts offering up to R1 off selected items.

Sean Summers, director of food merchandising for Pick 'n Pay, said a similar scheme was being considered throughout the company's supermarkets.

"I cannot give you an exact date when this might happen, but bear in mind that each store has its own pensioners' programme."

He said pensioners were bused into various supermarkets, given tea and biscuits and offered special discounts.

Pensioner meat packs were available from the store butcheries. A social card had to be presented to the manager to claim the R1 discount.

A spokesman for Shoprite-Checkers said their pensioner scheme was cancelled about five years ago due to abuse.

The spokesman said apart from each store having a special section with smaller packaging of items, lower prices had been built into all products allowing everybody to benefit.

Individual stores were involved in their community.

The company also had a corporate programme and was currently holding seminars on security throughout the country.

These seminars aimed at senior citizens were held in conjunction with the South African Police and the South African Council for the Aged.

Pensioner clubs at hypermarkets only

STAR 3/9/92

30

By John Miller
Star Line

Many hard-pressed pensioners have been turned away by a leading chain store from its already over-subscribed discount scheme.

During a recent radio programme Sean Summers, director of food merchandising Pick 'n Pay, said the Pensioner VIP Club was available at all stores.

However, many disappointed pensioners discovered this not to be the case. In fact the scheme was only available at the chain's hypermarkets, and was limited to 1 500 people.

Waiting lists existed.

Mr Summers apologised for creating the wrong impression and said the company was working on a similar scheme for supermarkets.

"I was incorrect and did not stipulate that this club is only available at our hypermarkets.

"What we are looking to do is to move the pensioner clubs into supermarkets. We are busy formalising these plans at the moment."

Every store had pensioner activities and shopping days.

Anne van Rooyen, spokesman for the Boksburg hypermarket's VIP club, said that while there was a waiting list, it was no more than between 10 and 20 people at a time.

"Every two months I review the existing membership. Those people who have lost interest or do not come to the store regularly are taken off the computer and the others put on."

She said the monthly discounts of up to R1 included such items as jam, sugar, cooking oil, meat, mealie meal and sweets.

She said about 12 busloads of pensioners from Boksburg, Benoni and Vosloorus were ferried to the store each month.

Ms van Rooyen said the low black and coloured membership was due to a lack of demand from those communities.

"If there was a bigger demand, we would increase the numbers. I do not tell social workers that there are any restrictions, it is up to them."

Housewives League president Lynn Morris said supermarket chains should consult more with Government welfare departments and look at certain schools as part of their social programmes.

She said any pensioner scheme lent itself to abuse. This had happened to one of the chainstores which was then forced to stop the scheme.

She felt there must be some way in which the major stores could find out where social pensioners lived in each neighbourhood.

"I appreciate that many stores render help and assistance to old-age homes but the real need is for those people living and battling on their own."

Mrs Morris said schools needed attention, especially in the ongoing recessionary climate.

"There are so many kids at schools these days who have not had a recent meal. Loaves of bread and peanut butter could be provided."

Producers urged to go into retailing

BDAY 3/9/92

30

GERALD REILLY

PRETORIA — Farmers would have to process, pack and market their products directly if they wanted to compete with the "big ones" and give consumers a better deal, Transvaal Agriculture Union (TAU) executive member E C A Hiemstra said yesterday.

Speaking at TAU's annual congress, he said for a food strategy which satisfied producer, consumer and state, it was essential for farmers to farm at an economic level without direct subsidies.

"This can only be done by stripping away the fat which the big food companies have allowed to build up."

Closing the gap between producer and consumer demanded positive action.

"We must acquire the necessary expertise to compete with the big ones, and make a partner of the consumer at the point of sale," he said.

He stressed that government no longer had the ability to make further financial contributions. The consumer was also becoming poorer and the country's tax base was shrinking and weakening, he said.

"The only plan is to narrow the farmer consumer price gap. We can only do this if the farmer maintains control over his product further along the food chain."

Hiemstra added that no industry could survive where its price was driven by market forces but its inputs were grossly overpriced and provided under monopolistic conditions.

Hiemstra warned that short-term imported, cheap and heavily subsidised food from other countries carried the risk of destroying local production potential.

Stressing the need for a government food strategy, Hiemstra said: "You cannot have a policy of feeding your population on dumped food."

The agricultural industry already faced a situation where farmers' prices were too low to farm economically and where consumer prices were too high. The price gap was far too wide.

KATHRYN STRACHAN reports that Pick 'n Pay chairman Raymond Ackerman said the answer to providing lower prices for the consumer lay with farmers and retailers working more closely together.

The problems they were experiencing were a result of the drought, and "throwing stones at each other" would not solve the situation, he said.

Pick 'n Pay bought between 60% and 70% of its produce direct from farmers, he said, and the company had shown farmers that it made less than 2% net profit on its produce.

Ackerman said he had great sympathy with farmers because of the drought, but added it was important that farmers and retailers respected the different functions each carried out. Ackerman warned that if farmers became involved in retailing, he would "go farming".

Shoprite national marketing manager Brian Weyers said the retailer's profit margin was not excessive, and added farmers needed to look at more effective ways of farming.

The blame for high prices did not only lie with retailers, he said, as the informal sector and smaller traders distributed more than 60% of farmers' total produce.

Consumer Council director Jan Cronje said the council would give its support to any scheme which would shrink the gap between producer and consumer prices.

Massmart buys Shield stake

(36)

CT 3/9/92

MASSMART, the Wooltru subsidiary which already includes the Makro chain, Drop Inn and Makroffice, has bought the operating assets of the JSE-listed Shield Trading Corporation for R61,05m.

This price is equivalent to 185c for each Shield share.

The Shield operating assets are to be housed in a new company which will be 66% owned by Massmart, with Shield's existing senior management holding the remaining 34% stake. So effectively Massmart will be paying R40m (66% of R61,05m) for its stake in the new company and management the remaining R21m.

Massmart MD Mark Lamberti says: "We are buying the formula and superb management. Their business is the management of confidentials and rebates which they earn from suppliers and redistribute to members. In this area there are things we can learn from them, while we can offer them broader ranges on the product side."

Lamberti said the Shield business fitted well with Massmart's strategy of providing high volume, low margin distribution methods to bring prices within reach of the mass market.

Shield is a voluntary buying organisation which provides buying and ordering services for members which include wholesalers and retailers doing business of at least R200 000 a month.

The group approximates 400 franchised outlets doing a cumulative turnover through Shield in the year to end February 1992 of R782m.

It does buying of packaged consumer goods and a portion of the rebates it receives from suppliers for bulk buying is passed onto franchisees based on their performance.

The way in which Shield keeps its costs down and is able to pass on buying benefits to its franchisee wholesalers and retailers is by avoiding the high cost of warehousing.

Shield has targeted its buying in that it doesn't buy maize, sugar, cigarettes and carbonated soft drinks for its members.

Makro is a wholesale operation with nine stores supplying nearly 30 000 product lines with an annual turnover of R1,4bn. More than half of this turnover is in food and about 95% of this is for resale.

An indication of the extent to which traders use Makro as their source of stock is the fact that the average Makro basket is 12 to 15 times the size of the average Pick 'n Pay basket.

Lamberti adds that he envisages a situation where a Shield member would be able to buy from Makro on credit which Shield finances. "The risk of the credit would be in Shield, which has a large portion of its credit underwritten by Credit Guarantee Insurance Association.

"The whole structure of Shield is geared up to handle debt."

Lamberti says it is important that the existing management of shield is retaining an interest in the business.

But when the founding shareholders do eventually wish to retire there is a strong layer of management below to take over.

Shield has had a healthy turnover and profit trend in recent years. Compound growth in turnover in the past five years has been 26% and compound growth in taxed profit has been 28%.

Massmart was only recently formed, and it now comprises a division with expected sales of R2,7bn in the current year.

Its main components prior to the Shield acquisition were Makro, with sales of R1,4bn from nine stores, Drop Inn, which was acquired with effect from March 1, 1992, and Makroffice, which was established in August 1991.

Saccawu to probe food price rise

INDEPENDENT research into reasons for the increase in food prices would be undertaken by the SA Commercial, Catering and Allied Workers' Union (Saccawu), the union announced yesterday. BDAY 4/9/92

At a media conference in Johannesburg to announce the research and a campaign to try to get food prices lowered, Saccawu campaigns organiser Roseline Nyman said union members might resort to putting their own prices on foodstuff if it was considered necessary.

"If milk is selling for R3,50 a litre and our research shows it is an unreasonable price, we will mark and let that item go through the till at what we consider a reasonable price."

Saccawu research assistant George Dor said government and big business were already intimating that wage increases had contributed to the high price of food, but this was not true as wage increases in the past year in the retail sector had all been well below inflation. (30)

Saccawu's findings would be given to Cosatu and the VAT co-ordinating committee. — Sapa.

Columbia Consultants is to delist and bow out

(30)

B/DAY 4/9/92

MARCIA KLEIN

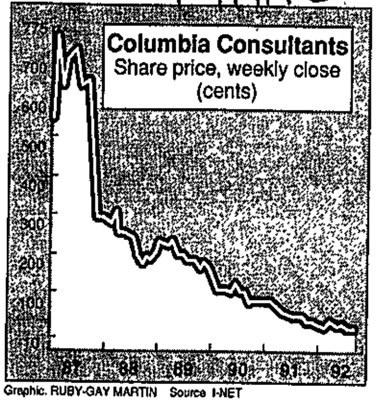
COLUMBIA Consultants, one of the high-flying groups of the late 1980s, would delist and either deregister or be wound up, the company announced yesterday.

After holding dozens of companies towards the end of the decade, it now has its investment in rural retailer Acrem — in which it holds 93,7% — as its sole asset.

The directors said they had decided to rationalise the group by distributing all the Acrem shares which Columbia held to its shareholders by declaring a dividend in specie.

Columbia shareholders would receive 244,3 Acrem shares for every 100 shares held. In terms of the rationalisation, Acrem would pay shareholders a special dividend of 9c a share. Columbia would use the dividend it received from Acrem to settle its debt of R6,2m owed to Acrem's operating company Acme Stores.

There was no practical need to keep two listed companies, and the delisting would lead to some cost savings, directors said. The move also would increase the tradeability of Acrem, which currently was 6,3%-held by minorities.



Graphic: RUBY-GAY MARTIN Source I-NET

In addition, Columbia ordinary shareholders would have a direct interest in the main operating company.

Columbia listed in 1986 and reached a high of 800c in 1987 as one of the glamour stocks of the JSE boom, but dropped to 240c in the crash. Yesterday it was untraded — with its last traded price at 15c.

Since it was formed in 1979, Columbia's interests have included Concorde Travel, Toco, Milstan, Crusader Life, Pride Consultants, Trimtex and Punch Line. It sold many of these interests in 1989 to concentrate on a single large investment, Acrem.

In the year to end-March, Acrem's earnings dropped 95,3% to 0,4c a share as it was hit by low consumer spending and a high tax charge. Columbia reported earnings of 1c a share compared with 21,2c a share in the previous year.

Acrem was hard hit by changes to Section 24 of the Income Tax Act, and it was reported recently that it expected to pay R10m over the next four years. Directors warned yesterday that the proposed dividend was a special one, and the prevailing economic climate would prevent Acrem from declaring ordinary dividends in the foreseeable future.

Sapoa offers food for thought

(30) FM 4|9|92

The SA Property Owners' Association's (Sapoa) first African shopping centre conference has lived up to its name — "Marketplace Africa." The congress, which was held in Sun City last week, has even been described as a watershed.

For the first time, an SA forum has gathered together retailers and developers to pool US, UK, European, SA, Zimbabwean, Kenyan and Indian Ocean Island shopping centre experience.

But it was the overviews of the economic and architectural realities on the larger continent, plus an examination of the burgeoning informal trading in SA centres, which provided the "African" perspective.

Affordability, or rather the lack of it — as Stauch Vorster executive chairman Robin Vorster and American University African & Development Studies assistant professor Fantu Cheru pointed out — may require a revised look at future development.

The most immediate retail issue in SA is the rise of the street vendor. Johannesburg City Council chief officer for informal trading, health and housing Dinkie Pillay noted that hawkers were not going to go away. He also made a direct appeal to delegates and Sapoa to work with hawkers and local authorities to improve hawking standards and eliminate cause for complaint.

Pillay's own efforts to raise hygiene and aesthetic standards have been exemplary. For instance, he motivated the manufacture of what are known as "Munch Hut" mobile vending carts — mobile kiosks which offer storage and weather protection — and in turn got them sponsored by companies such as Nestle. About 400 have been donated so far to Johannesburg traders.

Pillay produced a video, which he showed to delegates, designed to help hawkers run their businesses better.

It was clearly demonstrated that blacks prefer the open marketplace to enclosed malls. Two successful examples of this are modern centres in Windhoek and Old Mutual Properties' new Chitungwiza shopping centre outside of Harare.

This new centre, while a singular example of community, developer and retailer working together, raises the question of whether SA will have to wait for a post-independent era to be able to develop centres in black townships under similar, harmonious circumstances.

From International Council of Shopping Centres executive vice-president John Riordan, delegates learnt of the progress of the "big box, small price tag" stores — big stores offering heavily discounted merchandise — and how they have taken a considerable amount of business away from many national department store chains. They are often situated in shopping centres comprising only this kind of retailer; at other times, they are stand-alones.

Riordan's concern about the future of such developments is because he doubts the continued ability of retailers to produce such quantities of merchandise at low prices.

Conference chairman Patrick Flanagan
... justifiably proud

But discussion of this trend was enough to prompt the question as to what SA is doing in this regard. Ailing shopping centres, such as Golden Walk in Germiston, could increase their pulling power enormously in the altered form of a centre specialising in factory outlets.

Design International & Development Consultants president Roy Higgs's slides on imaginative US merchandising display methods — raises the need for SA retailers to travel overseas to garner new ideas, or, failing available funds, for shopping centre managers to expose tenants to slide shows to improve the overall appeal of their goods. Vegetable displays using sacking and other artistic approaches as seen in US Food Courts, symbolic of the trend towards individualisation in the US, are examples of imaginative retailing.

Of all shopping centres in SA, the architecture of the Village Walk in Sandton and the merchandising and entertainment approach of the Victoria & Albert Waterfront in Cape Town most closely resemble the best of overseas retailing.

Current trends in northern America which are having the greatest impact on design are not too distant from the SA experience. They are the:

- Development of the "value" projects, which include factory outlets, power centres, designer direct, mills and other forms of discount retailing (the rise of SA retailer Queens Park is one example);
- Demand for increased density (expanding horizontally or vertically) on to existing successful projects with retail and sometimes non-retail use (the refurbishment of Eastgate and Sandton City);
- Urgent need for the continued revitalisation of urban centres, using retail development as a catalyst (Maritzburg's sale of its judicial buildings offers such an opportunity);
- Growing sophistication and acceptance of the entertainment, amusement and leisure industry (most often referred to as "family amusement centres") in a retail context;
- Proliferation of suburban and regional developments in terms of new towns, town centres and stand-alone developments (Midrand City);
- Challenge of redeveloping existing vacant retail and department store spaces in urban and suburban locations, through un-enclosing (or "tear-offs"), expansions, re-merchandising or other innovative approaches;
- Continuing debate over the merits of large or mega-developments versus smaller, some say more user-friendly, developments;
- Environmental issues that have produced an increased acceptance of impact fees and growth management tools; and
- The need for more research-driven design and planning decisions as opposed to fly-by-your-pants or ego-driven approaches seen in recent years.

These are just some of the inputs made at what was a highly successful conference.

Riddle of city's high food prices

S/Times (Cape Metro) 6/9/92 630

FOOD prices in Cape Town were this week officially said to be increasing faster than anywhere else in South Africa — and nobody seems to know why.

According to figures released by Central Statistical Services food prices rose over 30 percent country-wide between July 1991 and July this year — but in the Western Cape they increased by 35 percent.

But the Cape Town Chamber of Commerce and giant food retailer Pick 'n Pay both say these figures are wrong and that food is actually cheaper here than in the rest of the country.

Mrs Sheila Baillie, national vice-president of the Housewives League, said this week the rise in food prices was "mind-boggling" and that the League would take the matter up at its national executive meeting next week.

By EVE VOSLOO

Mrs Baillie said meat market prices quoted in the Transvaal were mostly lower that the Cape's.

Some prices had increased by more than 35 percent, she said. A pocket of potatoes cost R7,50 at Epping Market in 1991 and R15 this year.

"We have to try to find out why prices are consistently higher in the Western Cape than in other parts of the country," she said.

Mr Alan Lighton, executive director of the Cape Town Chamber of Commerce, said the high rise in food prices was "certainly a matter for serious concern".

"The main reason is shortages that have arisen as a result of the drought up-country," he said.

Cheapest

The CSS report was "definitely an aberration from the norm" in finding that food prices in the Peninsula were higher, he said.

"Food prices here are appreciably below those on the Reef and in Natal because most of our fresh produce and much of our meat, fish and poultry is sourced locally."

Mr Alan Baxter, senior buyer for Pick 'n Pay in Cape Town, said food prices in the Peninsula were consistently lower than those in the rest of the country.

"We have commissioned the Ibis market research company to do independent surveys over the past four to five years and Cape Town has consistently been the cheapest place to shop by five to six percent," he said.

He said Pick 'n Pay had randomly taken till slips this week from different customers, compared them to actual 1991 prices, and had them audited.

These showed that the increases were actually between 10,4 percent and 14,9 percent, he said.

Mr Richard Cohen of Pick 'n Pay's head office in Johannesburg also disagreed with the CSS figures.

He said statistics collected after October would show a very different picture.

"Then they will be comparing like with like — post-VAT figures with other post-VAT figures — and the increases will be much lower," he said.

He also said the survey took an overall sample of 4 000 shops, most of them corner grocers, which had higher mark-ups on their food. The statistics were therefore distorted did not reflect fairly on prices at the chains.

Concern

He said the baskets used in determining the statistics were sometimes 30 percent meat, which was an unfair weighting.

● Two affiliates of the Congress of South African Trade Unions this week lay the blame for high food prices at the door of monopolies, VAT and the scrapping of food subsidies.

The South African Commercial, Catering and Allied Workers Union (Saccawu) and the Food and Allied Workers Union (Fawu) researched food prices because of their "suspicion of government and business probes", said Saccawu official Ms Roseline Nyman.

Mr Shaun Summers, a member of the steering committee of the Food Logistics Forum — retailers and manufacturers concerned about high food prices and examining ways to end the crisis — also blamed VAT and the control boards.

"The control boards are not consumer orientated. They were created to maximise and stabilise prices for the farmers."

Mrs Baillie said the Board of Tariffs and Trade interim report on food prices had found that the control boards should have their statutory powers removed so that they could not be involved in setting prices.

Call for bigger black role in Waterfront development

(30)

ST Times [Cape Metro] 6/9/92

BLACK entrepreneurs are to be made more aware of Western Cape investment opportunities through the National African Federation of Chambers of Commerce (Nafcoc) and the Western Province African Chamber of Commerce (Wepcoc).

The two organisations will also investigate channels for raising money to finance black investment projects in the Western Cape.

Interviewed at a function where the Victoria and Alfred Hotel on the Waterfront was awarded four-star grading, Nafcoc president Archie Nkonyeni urged white business people to help more black businesses to get established.

"We also ask for details of investment opportunities to be given to our organisation in good time so that we can alert our members and also investigate possible avenues for raising finance for members who are interested in the projects," said Mr Nkonyeni.

The Wepcoc president, Themba Pasiwe, said investment opportunities brought to the attention of his chamber would also be referred to Nafcoc.

"In this way investment opportunities in the Western Cape will get national coverage so that black entrepreneurs have a much better chance of participating in the ventures," said Mr Pasiwe.

Mr Nkonyeni, who was guest speaker at the awards ceremony, told guests he would have preferred to see greater participation of black entrepreneurs in the Waterfront development.

"To me and all the members of my organisation such a step would have meant the beginning of the attainment of our dreams.

"In the first two decades of our existence as an organisation our mission was expressed in terms of doing everything in our power to get the government of the day to lift all discriminatory restrictions destined to stifle the development of black business.

"Today our major task is to upgrade the capacity of black business to take its rightful place on the centre stage of the country's economy."

Mr Nkonyeni said Nafcoc attached high priority to the encouragement of black business capabilities through the Management and Leadership Development Centre established at the Nafcoc head office near Pretoria at a cost of more than R7-million, where training courses would operate full scale from the beginning of next year.

However, much more needed to be done:

- Nafcoc wanted to see black businessmen in the boardrooms of the "major economic players" in South Africa.
- Nafcoc would agitate for corporate South Africa to open up management opportunities to suitable black personnel.
- Nafcoc would do its best to ensure that the debate on the unbundling of South African corporate giants was taken seriously.

COMPANIES

Acrem share price halves

MARCIA KLEIN

COLUMBIA Consultants' retailing arm Acrem saw its share price halve in just two days to close on Friday at 10c a share following an announcement on the rationalisation of Columbia and Acrem and Columbia's delisting.

Shareholders buying in at this price would receive a 9c a share special dividend at the end of this month, effectively paying 1c a share to invest in a company operating 10 stores, market sources said on Friday.

The share dropped by 5c on Thursday and a further 5c on Friday to close at 10c. However, shares were in short supply at that level, and in late trade the share reflected a buyer at 10c, but a seller at 15c.

Acrem's share was trading at a yearly high of 40c in September last year and at 90c in July 1990. BIDAY 7/9/92

In unusually heavy trade on Friday, 258 200 shares worth R25 820 changed hands in 12 deals. On Thursday only 2 000 shares worth R300 were traded. (30)

Columbia announced last week that all the Acrem shares it held would be distributed by declaring a dividend in specie. Columbia shareholders would receive 244,3 Acrem shares for every 100 shares held, and Acrem would pay shareholders a special dividend of 9c a share.

Columbia would use the dividend it received from Acrem to settle its debt of R6,2m owed to Acrem's operating company Acme Stores.

Sources said it was strange that there would be sellers as shareholders would receive the special dividend. But shareholders could be pessimistic about Acrem's short- to medium-term future. Directors warned last week that Acrem would not be declaring ordinary dividends in the foreseeable future.

Institutions dominate retail property

BlDAY 7/7/92

(30)

PETER GALLI

NON-institutional property developers, who do not have the resources to carry vacancies, are being squeezed out of the retail market due to oversupply and high development costs.

Recent studies have shown that existing ownership of centres is almost exclusively in institutional and pension fund hands — a situation that is unlikely to change.

Matrix Projects MD Malcolm Wilson said opportunities for new, succesful shopping centre developments were becoming increasingly difficult to find.

Funding for such developments was also becoming more problematic as there was only a limited number of potential investors with sufficient funds.

A recent study by Anglo American Property Services (Ampros) research department showed that about 60 centres larger than 20 000m² provided more than 2,2-million m² of space countrywide.

More than 250 000m² of retail space in new and existing centres was expected to become available by next October.

Developers claimed that while there might be too many large shopping centres in SA, opportunities existed for smaller centres in residential areas with few facilities and growing populations.

While latest statistics vary as to exactly how many centres are owned by the major institutions and pension funds, Liberty Life and the Eskom Pension Fund each own three of the 12 largest centres, with Mainpro controlling two and Amaprop, Old Mutual, Sanlam and a number of other pension funds one each.

Sacob warns of confidence slump

(30) ARG 8/9/92

SVEN LUNSCHE

JOHANNESBURG. — The South African Chamber of Business (Sacob) warns that a continued slide in business confidence is threatening to accelerate the economy's long downward spiral.

Presenting Sacob's Business Confidence Index for August, which showed its fourth successive monthly fall, Sacob chief economist Dr Ben van Rensburg said the economy continued "to be hostage to economic and political variables".

"In the meantime the business mood is becoming progressively more brittle and there is a growing danger that the economy's long downward spiral could accelerate," Dr van Rensburg said.

Sacob now expected that the economy, as measured by changes in Gross Domestic Product, would contract by a real level of 1,5 to 2 percent this year.

Dr van Rensburg said the poor state of the economy was reflected in the fact that the number of insolvencies so far this year were 30 percent higher than in the same period in 1991.

Furthermore merchandise export volumes had fallen by between 3 and 5 percent, while the physical volume of manufacturing production dropped by 4 percent.

While analysts believed economic growth would have to be export led, Dr Van Rensburg warned that fading growth prospects for the world's industrialised nations would have a significant impact on the country's ability to move out of recession.

"The fact that South Africa's traditional trading partners can only be expected to enjoy a moderate revival will make it difficult to raise exports in the short term, particularly since the large part of our exports continue to be metals and minerals, which are sold chiefly to the big industrialised economies," he said.

South Africa's constitutional negotiations deadlock would also continue to hamper the growth outlook.

"The decision by the ANC not to resume official talks with the Government and the prospect of further mass action are likely to depress the business mood even more.

"The longer the political impasse continues, the greater the likelihood that foreign traders and investors will shift their attention to other economies, and lower the prospects for increased foreign investment in South Africa," Dr Van Rensburg warned.

Summarising the Chamber's outlook for the economy next year, he said Sacob remained optimistic about the prospects for higher growth, but added that the lack of political progress and the ambivalent signals emerging from the world economy could further delay the expected upturn next year.

Previewing Sacob's annual convention in Durban next month director, general secretary Raymond Parsons said the Chamber could lend its support to a future constitution that embodied the principles of federalism.

Business Day honours Pepkor

BDM 8/9/92

(30) Business Day Reporter

PEPKOR and its chairman, Christo Wiese, received Business Day's Business Achievement Award for 1992 last night.

The presentation was made by Editor Jim Jones at a banquet in Sandton.

Pepkor was honoured for crowning 26 successful years by becoming SA's largest retail organisation. In particular, the citation said, the award recognised a business which, from its inception, identified itself with its selected market and was staffed by people drawn from its customer base. "This policy has resulted in a powerful management team widely representative of the country's people."

From a single Pep store, opened in 1965, Pepkor had become not only the country's biggest retail group but an international trader taking SA-manufactured goods into Africa, Britain and Europe.

Jones said trade with Africa was best exploited by those with experience of the special market difficulties and opportunities. "This is what helped us choose the man and company to be honoured this year — a company firmly rooted in supplying to mass markets and a company which has used this to expand at home and abroad."

The citation said Pepkor had served its people well — "the expanding customer base of many millions, 40 000 employees staffing its shops and warehouses and shareholders whose dividends have almost doubled in five years.

"Since the Tradehold/Checkers deal, total assets have more than doubled, and turnover has increased fourfold. Pepkor's

□ To Page 2

Pepkor

BDM 8/9/92. (30)

□ From Page 1

success is a tribute to the vision of its chairman, Christo Wiese, whose unshakeable confidence in his country has proved such an inspiration to his colleagues."

Accepting the award, Wiese said South Africans had to re-evaluate their relationships with one another, and find a formula for coexistence. "We have to understand that the wealth needed to meet the reasonable expectations of our 35-million people simply doesn't exist at present — it will have to be created. Against that, SA does have the potential to create that wealth."

Despite their differences, South Africans had one thing in common — they knew negotiations represented the only route to a viable political settlement.

Guest speaker Trade and Industry Minister Derek Keys said he remained committed to increasing the level of fixed investment in new productive capacity, and to consistency and transparency in economic policy. "I have to stress we have no intention of restructuring the economy unilaterally." If one looked beyond the negotiation tactics and posturing, there was encouraging convergence in economic thinking.

Rather than dwell on "negative assumptions", said Keys, South Africans should think about their unique opportunity to create "an efficient structure of government which could see the redirection of resources that we need for future growth".

He spoke strongly in favour of devolution of power to regional authorities. This could bring more stability to society and the workplace, "with obvious benefits for productivity and investor confidence".

● See Page 10

Small businesses optimistic

RAY HARTLEY

SMALL business prospects in a future SA were positive, according to 66% of respondents to a Business and Marketing Intelligence (BMI) survey released yesterday.

The survey found only 27% of the sample of 1 000 small businesses believed their prospects would decline, while 7% said they did not know what the future held.

Companies with an annual turnover of less than R5m were defined as small businesses for the survey.

BMI researcher Bets Nel described the survey results as surprising. "I think a lot of them are positive because they've just got to be."

Seventy percent of those in the financial, insurance, community and social fields were positive, the survey showed. The least positive sectors of small business were construction (47%) and manufacturing (64%).

The most important reasons cited for optimism were that the economy would improve or at least remain positive in the future.

But, despite their optimism, an average of 86% of respondents said the small business sector needed assistance to ensure future growth.

A significant 67% of respondents said they needed financial assistance while 32% expressed the need for business information, advice and training.

Banks, the Small Business Development Corporation and government, in that order, were responsible for addressing financing, advice, training and information needs.

The survey said there were about 157 000 small businesses in SA. Of these 43 290 were involved in financing, insurance, real estate and business services.

About 42 200 were involved in community, social and personal services.

COMPANIES

Vektra weathers market well

DUMA GQUBULE

(30)

VEKTRA Corporation, the motor vehicles and replacement parts distributor in the W & A stable, has reported virtually unchanged profit for the half year to June despite intense competition in its main markets. BDay 8/9/92

Chairman and joint MD Alan Schlesinger said the company had done well to maintain profitability.

Turnover declined by 5% to R230m — because of more selective vehicle marketing policies by its subsidiary Delta distributor Williams Hunt. Margins were squeezed, due to aggressive price cutting, and operating profit fell by a tenth to R11,3m. After lower finance charges, pretax profits declined by 6% to R5,5m.

The tax rate slipped marginally and earnings attributable to ordinary shareholders and holders of compulsory convertible debenture holders were 2% down at R3,7m (R3,8m). Fully diluted earnings were 21,3c (21,8c) and an unchanged interim dividend of 6c a share was declared.

Schlesinger said the most significant feature of the review period was the turnaround of Williams Hunt, which had made a loss last year. He attributed the turnaround to improved working capital management and a strengthened management team. Recent cost reductions would result in an improved second-half contribution.

On the group's replacement parts businesses, Schlesinger said Femo group and V & R Engine Spares had maintained market share despite aggressive discounting by competitors. Vektra expected to improve on its first-half earnings in the second half.

Retail sales continue slide

BD 9/9/92 GERALD REILLY (30)

PRETORIA — Real retail trade sales continued their slide in the first six months of the year, according to Central Statistical Service figures.

At constant 1990 prices, they declined by 5,4%, compared with January-June last year.

Largest decreases occurred in sales of perishable and processed foods (13,3%) and inedible groceries (12,3%).

However, television sets showed the largest increase — 11,6%. The figures also show that in the second quarter sales increased at current prices by 10,9% to R21,056bn. But at constant 1990 prices, they dipped by 4,5% to R15,909bn compared with April-June last year.

Sales increased marginally by 0,6% at 1990 prices to R16,450bn in the second quarter compared with January-March, and by 2,1% to R21,618bn at current prices.

Economists say the figures again reflect depressed consumer confidence superimposed on the inability of pay earners to spend on anything but necessities.

Developers cut back on office construction

(30)

BDAY 9/9/92

PETER GALLI

WHILE many office buildings are still coming on stream, developers are cutting back on office development because of the recession and high vacancies, the latest Central Statistical Service (CSS) private sector June building statistics show.

However, the value of buildings completed has not yet begun to reflect the decline, as construction on many of the buildings now nearing completion started up to two years ago.

"If price increases are brought into account, the real value of buildings completed shows a drop from April 1991," the CSS says.

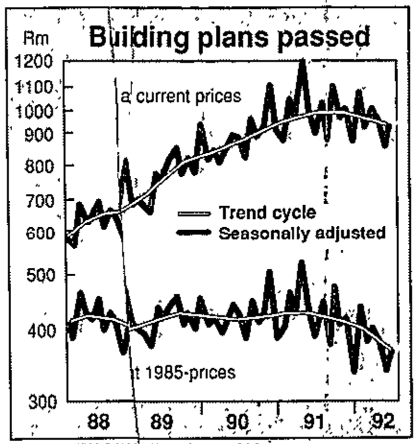
At constant 1985 or real prices, the total value of building plans passed for the first half of this year dropped 13,5% to R2,21bn from R2,55bn in the same period last year.

This is largely due to a 33,2% drop in the value of plans passed for non-residential buildings to R518,4m, but plans passed for flats and townhouses continued to soar, rising 24,8% to R258,5m in the period under review.

Economists and developers have attributed this market strength to the fact that flats and townhouses offer greater security, which is becoming more important given the level of crime and violence.

In contrast, the real value of buildings completed in the first half of the year rose by 9,4% to R1,72bn compared with the same period in 1991.

Non-residential buildings completed reflected the largest gain, rising 20,8% to R547,1m.



Graphic RUBY-GAY MARTIN Source CSS

"Large incrases in the total real value of buildings cmpleted were recorded in the urban ares of Cape Town, the Witwatersrand an Durban," the service said.

A survey on ew office developments in SA by Real Estte Surveys says new office starts contin to decline, with the 73 592m² in the econd quarter being well below the 18 168m² high set in the corresponding qarter in 1991.

"Of the 659 29m² due to be completed in 1992, 242 695m² 37% is still unlet. However, while this tuation is bad for office developers it is the advantage of tenants," says edito Gert Tighy.

Despite this, delopment is continuing in Rosebank and Sndton, where take-up is strong. Developer in other areas are willing to start as son as they can sign a tenant.

McCarthy to buy Budget Rent-A-Car

EDWARD WEST

THE McCarthy Group was set to acquire Budget Rent-A-Car from Tollgate Holdings for an undisclosed amount, sources said yesterday. BDay 9/9/92

McCarthy Group joint MD Theo Swart confirmed negotiations for the acquisition were well advanced, but Tollgate chairman Julian Askin declined to comment.

Tollgate holds the Budget franchise in SA through its Motorvia subsidiary. It is understood the acquisition would take effect from October 1.

Budget MD Tony Langley said the group held a 22,5% market share. The company is the third biggest player in the R330m-a-year car rental market.

Langley believed the deal would make sense to McCarthy, as about a third of Budget's fleet was leased through McCarthy Leasing, a joint venture between Stannic and McCarthy. Last year McCarthy Leasing bought the 4 500-vehicle strong Budget Autolease from Budget for an undisclosed sum.

The possible sale of Budget by Tollgate comes at a time when Tollgate is taking action to reduce high debt levels in the wake of a two-year restructuring to dispose of underperforming assets.

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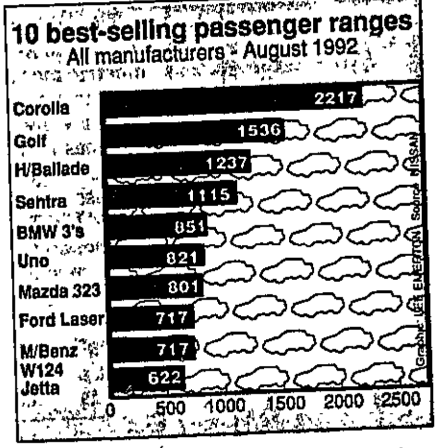


New car sales fall 11,7% this year

30

BDAY EDWARD WEST 9/9/92

NEW car sales for the first eight months of 1992 were 11,7% below those for the same period in 1991, National Association of Automobile Manufacturers of SA (Naamsa) statistics showed yesterday.

Sales of new light commercial (LCV), medium commercial (MCV) and heavy commercial (HCV) vehicles were respectively 10,8%, 21,4% and 8,7% lower than in the first eight months of 1991.

New car sales for August 1992 fell marginally to 15 214 compared with the 15 328 in July. New car sales fell 8,5% compared with 16 620 in August 1991.

Samcor marketing director Sean Bownes said August car sales were indica-

□ To Page 2

Car sales

BDAY 9/9/92 (30)

□ From Page 1

tive of a 167 000 annualised market. This was well below the rate for the first half of the year which suggested that 185 000 cars would be sold, he said. Other forecasts by industry leaders were also sharply down and varied from 175 000 to 180 000.

Toyota marketing MD Brand Pretorius said the industry would be hard pressed to meet a previous forecast of 180 000.

Naamsa said the depressed August figures were in line with expectations and reflected economic difficulties and low business and consumer confidence.

August new vehicle sales fell 5,3% to 23 751 from 25 079 in the same month in 1991 and 2,3% from the 23 217 in July 1992. Year-to-date sales in all four sectors of the market remained well below corresponding 1991 levels, Naamsa said.

The impact of the strikes at Toyota was again reflected in the new passenger car market, with Volkwagen replacing the traditional car market leader with a 20% market share compared with Toyota's 17,8%. Toyota's recovery was more pronounced in the total vehicle market and it regained its position as market leader, with 22% compared with its closest rival Nissan's 18,4% and Volkswagen's 15,5%.

The 7 848 LCV sales in August improved 9,7% compared with the 7 154 in July, and increased 2,1% compared with 7 688 in August 1991. MCV and LCV sales remained at historically low levels with the 263 MCV sales 8,4% lower compared with July's 289 and 14,9% lower when compared with the 309 in August 1991. HCV sales at 426 fell 4,5% compared with July sales and 7,8% compared with the 462 in August 1991.

Higher retail sales suggest recession may be bottoming

STAR 9/9/92

By Derek Tommey (30)

"Feelings of pessimism and despondency abound," Minister of Finance Derek Keys said this week.

But not everyone feels that way. A number of economists believe the recession has bottomed and that the business cycle might be showing faint signs of moving up.

One economist who thinks this is a possibility is Dr Jos Gerson of brokers Davis Borkum and Hare.

He says in the company's monthly economic review that the year-on year increase in notes in circulation rose in July for the fourth consecutive month. (Figures issued by the Reserve Bank last night show the note issue rose again in August by 9,3 percent over August last year).

"Given the good correlation that exists between notes, M3 and the business cycle, the latest figures reinforce our view that the recession has probably bottomed," he says.

The importance of the note issue appears to lie in its being an indicator of black incomes and purchasing power.

Relatively few blacks have cheque accounts or credit cards and pay their bills with cash. An increase in the note issue could reflect an increase in the personal finances of those at the bottom of the employment pile.

The view that the recession has probably bottomed out is reinforced by retail sales figures.

Central Statistical Services said last night they totalled R21,6 billion in the three months to June — an increase of 2,1 percent on sales in the three months to March.

This is the first time for a considerable period that retail sales have been higher than in a preceding period.

However, sales for the six months to June were down 5,4 in real terms.

But even so, after stripping out food sales, which were down sharply, the figures show that retail sales in many instances have been no worse than last year's.

Nobody should be surprised that the recession is showing signs of bottoming out.

Just as booms do not last for ever, neither do recessions. And there have been a number of factors working to turn the economy around.

One hs been the rise in gold production. Several mines may have difficulty in breaking even, but the gold mining industry is still pumping R1,6 billion a month into the economy.

Added to this has been the Government's deficit spending, which, in the four months to July, stimulated the economy by R10 billion.

Export earnings have not increased in real terms this year, but have been maintained.

While earnings from the export of metals and minerals have fallen, the loss has been made good by higher export earnings from goods requiring a larger input of capital and labour.

So, while unskilled jobs have been lost in the mining sector, skilled jobs have been created elsewhere — and many more will be created in the coming months.

The recession, the end of sanctions and the apparent weakness of the rand have made businessmen take a hard look at export prospects.

The result is that those already exporting plan to increase their exports, with more entering the export market and others planning to do so.

Existing medium and small exporters and potential exporters are making new investments.

Some idea of what it is happening comes from a retailer in the booming apple-growing district in the Western Cape. Increased expenditure by apple farmers this year on extending their orchards has helped boost his turnover 40 percent.

This improving trend is not going unnoticed on the JSE.

The financial and industrial share index showed a modest 1,2 percent rise last week. But this was not the whole story.

Altogether, 114 financial and industrial shares showed gains last week, against 72 showing loses.

This strongly suggests that but for political developments, the bear market would have ended.

Pepkor boss urges political maturity

BDay 11/9/92.

30

Reports by
LINDA ENSOR

STELLENBOSCH — Encountering the first bumps on the road to negotiations did not mean the road had come to a dead end, Pepkor chairman Christo Wiese said at the regional congress of the Western Cape Chambers of Commerce and Industry yesterday.

Any period of transition was bound to be painful, but if handled judiciously, could also be gainful, he said.

"We still have a long way to go but we are all ultimately on the same path. And with increasing political maturity there will be greater concessions from all sides in the striving for peace.

"As we hit the bumps along the rocky way of negotiations, we will be well served by retaining a healthy perspective at all times." To dwell on only the negative factors in SA was both self-defeating and shortsighted, Wiese said.

There was cause for optimism although potentially profitable businesses were being impeded by work stoppages, political violence persisted, the rand continued to be devalued in international terms and negotiations were at an impasse.

"If we look a little further down the road there is the fear of the further emptying of state coffers as the recession persists and our population grows, while we face a deterioration in the standards of health, education, transport, telecommunications and housing.

"As joblessness and the urban influx continue unabated, we witness the ongoing rise in the already high crime rate."

Wiese said the high rate of government expenditure — about 30% of GDP at present — would have to be trimmed. He said it was inevitable that the restructuring of the economy would initially be painful for the middle and upper classes, who would have to pay more for their education, medical benefits and a variety of infrastructural services.

"However, considering the larger picture, this is a small price to pay towards securing a stable future for ourselves and our children."

Among factors in SA's favour were the commitment of world powers to assist in the peace process, the country's pivotal role in southern Africa, the shift towards outward-looking technologically intensive manufacture, and a sophisticated financial sector. The country also had a corps of high quality managers, great tourist potential and a growing consumer population.

MASSMART/SHIELD (30)

Prescient market

FM 11/9/92.

It's extraordinary how the market so often correctly anticipates a deal. Take, for example, the Shield Trading transaction with Massmart. Until May, Shield routinely traded between 90c and 110c. In mid-May, for no apparent reason, the price moved up until it touched a high of 190c early this month — just before the Massmart deal was announced.

Was Shield worth it to Massmart?

John Biccard of broker Simpson McKie reckons that, at a share price of R1, he considered Shield "heavily undervalued" and was recommending it to his clients. In his opinion, whereas Shield stands on an historical p:e of 11,3 at the deal price of 185c, it is on a forward p:e of about 10. He considers 185c fair for both parties.

Makro, the backbone of Massmart, is not listed, so its earnings record is not available. Its rival, Metcash, is trading on a p:e of 14,9. It is not unrealistic to think Makro's market rating would be close to that. On that basis, Shield's forward p:e of 10 makes the deal a sweet one for Massmart.

Shield is essentially a voluntary buying operation. It was founded in 1983 and listed in 1987. It offers about 400 store owners a packaged food and general merchandise procurement service, a systems service and general retailing expertise. It owns no outlets. Nor does it own stock or perform warehousing or distribution functions.

It negotiates with merchandise sources from the strength of considerable volumes, determines a price, invoices merchandise to outlets at that price, receives rebates from the supplier and at year-end splits these rebates between itself and outlet owners according to a formula. Shield generates income by granting shorter credit terms to outlets than granted to it by suppliers.

Shield does not supply cash goods like sugar, cigarettes or carbonated soft drinks; these are available from Makro. Makro and Massmart MD Mark Lamberti says Shield customers will gain access to Makro merchandise under Shield credit facilities. He

Continue →

FOX FM 11/9/92 (30)

believes the deal will improve the use of Makro's infrastructure.

If approved, the deal, for cash, will take effect from October 31. All of Shield's assets and liabilities are to be sold to a new company which will be a wholly owned subsidiary of Massmart. Payment to Shield shareholders will be in two tranches: a special dividend of 169c a share, followed by an additional 14,8c payment. The total 183,8c a share is net of costs.

Gerald Hirshon

McCARTHY FM 11/9/92

Acquisition plans

30

McCarthy Group, still wrapping up a merger with Prefcor, remains on the acquisition trail. Confirmation is expected this week that the Durban-based group has bought the assets of Budget Rent-A-Car from Tollgate Holdings (TGH). This comes after new investments totalling R72m, including two UK Toyota dealerships and Beachway Volkswagen in Durban.

Chairman Brian McCarthy says talks have been held with TGH and an agreement in principle reached. He declined to quantify a purchase price. TGH chairman Julian Askin could not be contacted. However, with Budget's fleet of about 2 000 vehicles leased and off the balance sheet, the main cost will probably be goodwill.

This follows TGH's earlier sale of City Tramways *(Companies* September 4) under a policy of liquidating assets to repay interest-bearing debt.

For McCarthy Group, the acquisition has obvious benefits. It will be able to supply all Budget's vehicles, which have an average life of about nine months.

Last week, McCarthy reported year-end

FM 11/9/92. 30

EPS down 15%, to 50,9c, after interest increased by 140%, to R16,7m and a R6,5m underprovision for tax from previous years came through. McCarthy says the sharply higher interest bill came from the R72m spent on new acquisitions, funded by short-term loans, as well as a higher level of inventories. "At 35% our gearing is still low, with virtually no borrowings from the previous year," he adds.

He points out that without the R6,5m tax under-provision, earnings would only have been marginally down on 1991. In the first half, the group showed a taxed profit of nearly R21m, rising to R45,1m by year-end after the additional tax deduction.

While the new vehicle market declined by 15%, McCarthy increased its share of national sales by 1,1 percentage points, to 13,7%.

After hitting a low of R3 after the merger with Prefcor was announced, McCarthy's share price has recovered to 325c, still down though from the 430c when the Prefcor deal was announced. Due diligence on the merger is expected within the next fortnight, while Prefcor's results should be out next week.

Shaun Harris

SCORE SUPERMARKETS

A good start

30 FM 11/9/92

Activities: *Retails essential foodstuffs and basic household products.*
Control: *Premier 70%.*
Chairman: *G M Utian;* MD: *C J Burgess.*
Capital structure: *76m ords. Market capitalisation: R20m.*
Share market: *Price: 26c. Yields: 2,3% on dividend; 10,4% on earnings; p:e ratio, 9,6; cover, 4,5. 12-month high, 37c; low, 10c. Trading volume last quarter, 1,1m shares.*

Year to April 30	‡'92
ST debt (Rm)	3,8
LT debt (Rm)	8,2
Debt:equity ratio	0,49
Shareholders' interest	0,18
Int & leasing cover	1,35
Return on cap (%)	5,84
Turnover (index)	512
Pre-int profit (Rm)	5,6
Pre-int margin (%)	1,5
Earnings (c)	2,3
Dividends (c)	0,5
Net worth (c)	42,7

‡ 44-week trading period.

This new retailer, formed as a result of the acquisition of Metro Cash & Carry by Premier Group, includes Score's limited assortment supermarkets and the similar emporiums which formed part of Metro's interests under Fairways.

Listed last October, Score Supermarkets exceeded its earnings forecast in the 10-months to end-April, though turnover was lower than the forecast in the pre-listing statement.

Though comparison with year-ago figures

 FM 11/9/92 (30)

Score's Utian ...
reductions in overheads

is problematic, given the change in year-end, and extensive restructuring, chairman Gordon Utian contends a turnaround from a R14m operating loss to R8m income is a significant achievement. This, he says, was done through rationalisation and reductions in overheads.

Fourteen uneconomic stores were closed or sold and some distribution centres were closed and merged into a single entity at City Deep.

Pre-tax profit was lifted 8% ahead of budget, to R2,2m, by a lower-than-expected interest bill of R5,6m. The R1m reduction in the interest burden was due to improved working capital management, which led to lower borrowings.

Attributable earnings of R877 000 were 15% above the budgeted figure.

Gearing, however, was above the short-term target of 30%. Financial director Keith Warburton says this should be viewed in context — it includes the capitalisation and settlement of financial leases and partial liquidation of non-food stock as a result of refocusing to a greater exposure to food products.

Gearing is forecast to fall below target this year.

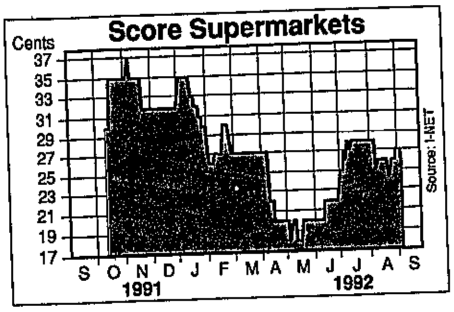
Score is pitched towards small, high pedestrian areas catering particularly for the black or CD income group.

The group's relationship with Metcash is purely as a fellow subsidiary of Premier, but on occasions Metcash has been used as a filler when distribution has been disrupted.

Though trading conditions are expected to remain difficult, Warburton says the group is looking to maintain earnings this year.

An earnings multiple of 9,6 looks cheap, though this cannot be said for the dividend yield. The share's worth watching.

Marylou Greig



COMPANIES

Mast Holdings to buy Literary Group

MARCIA KLEIN

TRAINING and education group Mast Holdings is to acquire the Academic division of CNA Gallo subsidiary the Literary Group for R7,7m in a move which would see it double its turnover and assets, Mast announced yesterday. BDAY 11/9/92

Academic has 11 retail outlets countrywide, trading as Logans, Campus Books, Westdene Rondebosch and Westdene Medical Bookshops. Is also supplies books to Wits and other campuses.

Mast chairman Stephen Dallamore said the move was in line with Mast's strategy of focusing on product-based business and decreasing reliance on service activities.

Mast was reviewing the funding of the acquisition. A portion of the funding involved "may be met by an acquisition issue of shares in Mast", but this would not include an offer to minorities. Mast had cash of R4m in the bank and on call at the February 1992 year-end. (30)

Of the total acquisition price, R4m would be payable on completion of the acquisition, R1,75m at end-March 1993 and the balance in June 1993.

Mast Training Consultants MD Richard McBride would become chairman of Academic. Chris Wolf, previously a director of the Literary Group, would be MD.

GDM MD John Cowper ... *another satisfactory performance*

1993 by the acquisition from April 1 of the SA business of R H Freight Services, a subsidiary of a large UK group.

The result will be that African Shipping's total turnover should rise to about R200m; that lifts the company into the big league of the industry.

The other pillar of the group's business is its conservative approach. GDM's risk is spread across a number of businesses operating in unrelated fields. No single client represents more than 7% of total receivables, and no one business sector accounts for more than a quarter of total turnover. The four largest sectors are: clothing and textiles (25%); household and consumer goods (21%); computer supplies and consumer electronics (13%); and engineering and light machinery (10%).

The company incorporates the former beleaguered Repfin group which GDM acquired in 1991.

Berlin says Repfin has been integrated entirely into GDM's operations and has by now turned into a successful and profitable investment.

The company is trading on a p:e of 5,7 in a sector dominated by the big banks. In the light of its results it deserves rather better treatment than it's getting from the market.

David Gleason

CLICKS STORES FM 11/9/92

Expansion continues (30)

The Clicks annual report conveys the impression that the group's management has enjoyed every moment of arriving where it is, knows just where it is going and how it is going to get there. The financial performance in the 14 months to April 30 and, indeed, for preceding years, supports these sentiments and the probability that the performance will be sustained.

Activities: *Retails toiletries, cosmetics, gifts.*
Control: *Score-Clicks 50%.*
Chairman: *C S Dos Santos; MD: T C Honneysett.*
Capital structure: *22,6m ords. Market capitalisation: R528m.*
Share market: *Price: 2 335c. Yields: 1,8% on dividend; 4,5% on earnings; p:e ratio, 22,2; cover, 2,6. 12-month high, R28; low, R20. Trading volume last quarter, 78 600 shares.*

Year to April 30	'89	‡'90	'91	'92
Debt:equity ratio	nil	nil	nil	nil
Shareholders' interest	0,42	0,41	0,41	0,49
Int & leasing cover	51	130	63	11,2
Return on cap (%)	17,8	23,4	21,2	17,0*
Turnover (Rm)	246	426	552	837
Pre-int profit (Rm)	20,0	32,7	41,4	52,9
Pre-int margin (%)	8,1	7,7	7,5	6,3
Earnings (c)	49,1	81,8	102,3	108,1*
Dividends (c)	21	34	43	41*
Net worth (c)	236	283	330	579

* Annualised. ‡ Eight-months' trading.

Trevor Honneysett's informative CEO's report is constructive in that it sets out the major achievements of the group, admits areas of weakness, explains what was done about them and spells out future planning.

Fifteen new stores were opened, raising the total to 130. Diskom opened 24, taking the total to 73. A new store opened in the group almost every 10 days.

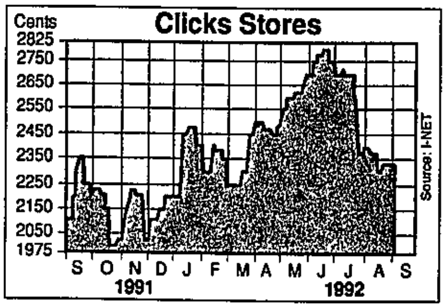
An extensive store automation project cost R4m. Five stores now have full point-of-sale scanning capabilities. All Clicks stores are computer linked with warehouses, regional offices and head office.

Costs of installing new information technology were fully expensed during the year. This affected margins as few benefits were attained during the period. But improved re-ordering capability, with a resulting improvement in stock control, shrinkage and stockturn, is expected to start benefiting trading results this year. Stock holdings were excessive at the interim stage but have been pared.

Honneysett says considerable time was devoted to amending the structure of the organisation, clearing communication lines, clarifying roles and shifting accountability and responsibility down the line. Staff information videos are produced each month.

The R52m rights issue occurred too late to curb the cost of short-term borrowings and the net cost rose to a record R4,7m. The cash

Clicks's Honeysett ... *spelling out plans*



balance of R43m should reduce the 1993 finance costs significantly.

Honeysett says Diskom is beginning to realise its "enormous potential." Margins improved as the product range was refined and extended. The operation is moving away from its developmental phase and it is intended that 200 stores will be open by the middle to late Nineties. The subsidiary is bringing added value to the group and contributing materially to the bottom line.

The share price has declined from its R28 high reached in June, in line with the industrial market. However, the earnings multiple is still higher than those of all other leading retailers, indicating investors are well aware of the group's potential. The share is fully priced but should be accumulated on weakness.

Gerald Hirshon

SCORE SUPERMARKETS

A good start (30) FM 11/9/92

Activities: *Retails essential foodstuffs and basic household products.*
Control: *Premier 70%.*
Chairman: *G M Utian; MD: C J Burgess.*
Capital structure: *76m ords. Market capitalisation: R20m.*
Share market: *Price: 26c. Yields: 2,3% on dividend; 10,4% on earnings; p:e ratio, 9,6; cover, 4,5. 12-month high, 37c; low, 10c. Trading volume last quarter, 1,1m shares.*

Year to April 30	‡'92
ST debt (Rm)	3,8
LT debt (Rm)	8,2
Debt:equity ratio	0,49
Shareholders' interest	0,18
Int & leasing cover	1,35
Return on cap (%)	5,84
Turnover (index)	512
Pre-int profit (Rm)	5,6
Pre-int margin (%)	1,5
Earnings (c)	2,3
Dividends (c)	0,5
Net worth (c)	42,7

‡ 44-week trading period.

This new retailer, formed as a result of the acquisition of Metro Cash & Carry by Premier Group, includes Score's limited assortment supermarkets and the similar emporiums which formed part of Metro's interests under Fairways.

Listed last October, Score Supermarkets exceeded its earnings forecast in the 10-months to end-April, though turnover was lower than the forecast in the pre-listing statement.

Though comparison with year-ago figures

Cont

COLUMBIA/ACREM FM 11/9/92

Final act (30)

Columbia Consultants' directors says its proposed restructuring, which will end its listing, will broaden the shareholding and tradeability of quoted retail subsidiary Acrem Holdings.

But the market's initial response has not been encouraging. Acrem's share fell 5c to a 12-month low of 15c. Though the mechanics of the scheme appear sound, investors are wary because of the company's past structural upheavals.

In the year to March, Columbia offloaded investments in Constantia Echo, I Lubner & Sons, Mettle Investment, Pride Consultants and Dealmakers Business Brokers, a company bought only a year earlier. Since listing in 1986, the once high-flying financial services group relinquished investments in, among others, Toco, Milstan, Crusader Life, Trimex, Manserv and Concorde Travel. Disposal of assets last year reduced shareholders' funds by R8,9m to R35m.

Columbia's Polovin ...
trading is profitable

Columbia's sole investment now is its 94% stake in Acrem, which holds the retail business of Acrem and computer supplier Powernet. Acrem shares have been thinly traded. The proposed rationalisation would leave

FM 11/9/92 (20)

Columbia directors with a direct holding of about 54% in Acrem. Columbia shareholders would receive 244 Acrem shares for every 100 Columbia held.

Acrem will, in effect, write off a R6,2m loan to Columbia by paying a special dividend of 9c a share, most of which — excluding payments to the few minorities — will be returned to the retailer by its major shareholder in lieu of the debt. Acrem's shareholders' funds, excluding goodwill, were about R37m at end-March.

Columbia CE Gordon Polovin says he does not envisage any buying or selling of companies soon. Instead, management will concentrate on improving the performance of existing operations.

There is much to be done. Columbia's earnings, dividends and net worth have slumped. EPS in financial 1992 were barely positive, dividends had to be passed, and operating margins and NAV fell for the third successive year; gearing was an uncomfortable 75%. The share is trading around 15c, well down on last year's high of 95c and its peak of 800c.

Polovin says the retail operations of Acrem, which last year generated most of Columbia's turnover and pre-tax income, and Powernet are profitable but trading is difficult. Also, Acrem is burdened by an outstanding tax charge resulting from the Receiver's change in regulations relating to HP sales. Management expects the charge to total about R3,7m over the next three years. Last year more than four-fifths of Columbia's consolidated pre-tax earnings were paid to the Receiver.

Investors are not likely to show confidence in Acrem until it has delivered consistent earnings growth and management has shown it can apply itself to this. Columbia shareholders have seen little benefit from previous financial engineering.

Simon Cashmore

BUSINESS BAROMETER

W/Mail 11/9-17/9/92 (108)

Bisho's long shadow

THE Bisho shooting dealt another blow to fragile economic prospects. Share prices on the Johannesburg Stock Exchange were knocked lower by foreign selling in the wake of the massacre, with the overall index shedding 1,4 percent to 3 085 on Wednesday. It was reported that South Africa's chances of an agreement with foreign banks on a final debt repayment arrangement have been set back.

Rise in reserves

DESPITE foreign debt repayments of around R250-million South Africa's gold and foreign exchange reserves rose in August. Gold and foreign exchange reserves rose by R263-million to R11,5-billion compared to July. Foreign exchange holdings rose by R591-million to R5,9-billion. Gold holdings were slightly up at 6,74-million ounces compared to 6,70-million ounces in July.

W/Mail 11/9-17/9/92

Car sales in lower gear (30)

NEW car sales, one of the key indicators of economic activity, continued on their downward trend in August.

At 15 214 units, around 8,5 percent fewer new cars were sold in August this year than in August last year, according to the National Association of Automobile Manufacturers of South Africa. New car sales for the first eight months of 1992 were 11,7 percent lower than in the same period last year.

W/Mail 11/9-17/9/92

‘We do it better than the other provinces’

Natal sets the tone

(30)

ARG 12/9/92

■ Natal farmers opt for the sensitive approach in dealing with the land question.

Weekend Argus Correspondent

DURBAN. — Natal's white farmers yesterday turned their backs on a century-old policy favouring whites when the Natal Agricultural Union (NAU) congress called for farmland to be accessible to all.

The congress called for the creation of a judicial body to adjudicate land claims.

The NAU also called for regional government, a step seen by some as an unwarranted intrusion in politics. Others felt that Natal "does things better than the other provinces or the central government" and said they were happy to throw in their lot with Kwazulu.

The proposals were accepted with a minimum of dissent, although delegates hold varying political views.

But delegates warned against "indiscriminate" distribution of land to dispossessed, unskilled stockowners. They felt that this would lead to destruction of the land and irreparable harm to the economy of the region.

Mr Peter Stockil of Winterton said the NAU would support measures "which will make the privilege and responsibility of land ownership accessible to as many fellow countrymen as possible".

"We believe that all land has a price and therefore must be distributed within the free-market system.

"Bought land brings a sense of pride to the new owner, a sense of stability to a community and a sense of commitment to the future. These ingredients are sadly lacking in sections of our society."

The union accepted that the land claims of victims of forced removals should be addressed by judicial process and if necessary a land claims court. The congress did not favour a government-appointed commission to adjudicate the claims.

Points which will have to be spelt-out for deciding land claims are:

■ The cut-off date for a claim;

■ Whether landowners were compensated when they were moved;

■ Who qualifies for land;

■ Do claimants need proof of legitimacy; and

■ International case studies such as land awards in the United States, Canada and Australia.

The congress felt that resettlement of displaced and dispossessed people should take place first on state-owned land — about 493 000 hectares in the case of Natal — after a claims court has found a claim to be legitimate.

Private ownership of land should be encouraged and the Subdivision of Agricultural Land Act, which prevents farmland being snipped-up into uneconomic units, should be amended.

Long before Boipatong, the seeds had already been sown for

THE CRISIS

S/Times 28/6/92

EDYTH BULBRING and BRIAN POTTINGER look at the rapid unravelling of months of careful political negotiations

30(4A) 11A

FIFTEEN minutes after appearing on television on Tuesday night to announce the ANC's suspension of talks, ANC secretary-general Cyril Ramaphosa telephoned Constitutional Development Minister Roelf Meyer at home.

"What the hell do you think you are doing?" asked Mr Meyer.

"Well, the good news is we still want to talk," replied Mr Ramaphosa. He was serious.

Earlier that day 70 members of the ANC's national executive committee held an emergency meeting to decide the course of action following the Boipatong massacre. Most of those present had already made up their minds: talks should be suspended.

But how this should be done was at issue. Some wanted the ANC to break off talks unconditionally and indefinitely until mass action had taken its course. Others wanted the ANC to pull out of the Pretoria and DF Malan Accords. Still others felt talks should be suspended until the government had addressed certain demands. After five hours of debate, those in favour of conditional suspension force the government's hand. The decision to revert to mass action held an inherent threat of a deterioration in the negotiating climate. Suspension of talks was, therefore, always a possibility.

The government, for its part, believed the ANC had decided long before Codesa 2 that it no longer wanted multilateral negotiations. It believed radical elements within the ANC had ensured no agreement could be reached. Boipatong, argued the government, gave the ANC the excuse to suspend talks and then resume them, on its own terms.

For many in the government, the ANC's announcement was reminiscent of April last year, when the ANC suspended talks about talks until the issue of violence was satisfactorily addressed.

At the time a senior government negotiator remarked, prophetically, that negotiations would not collapse because violence then was hurting both major players equally. Equally prophetically, he observed that when a point was reached that either of the major players felt it was hurting far worse

Mr Mandela was confronted by an angry crowd which demanded arms and accused him and the ANC of "acting like lambs while the enemy is killing our people".

He realised then that negotiating in this climate could put the ANC in serious danger of alienating its support.

"I can no longer explain to our people why we continue to talk to a government which is murdering our people. The negotiation process is completely in tatters," he told the crowd.

It was not an off-the-cuff remark. Mr Mandela had consulted trusted lieutenants soon after the massacre and the overwhelming response, even from moderates, was that a dramatic gesture was

that day Mr De Klerk offered a two-day summit to deal with the impasse and made some minor concessions on the admission of foreign observers. The real thrust of the attack lay elsewhere — an appeal to world sentiment, over the heads of the ANC.

The government decision was bolstered by reports from the Department of Foreign Affairs which suggested that the international community was leaning towards the government. Subsequent reports would suggest a misreading on the part of the department.

Nevertheless, on the day, the cabinet was persuaded by Foreign Minister Pik Botha to seek greater foreign

Piet 'Skiet' met 'n pen

By SERUTHU SERUTHU

C/Pres 13/9/92

PIET "Skiet" Rudolf, the fearsome AWB bomber who refused to stand trial under a black magistrate, led a convoy of seven vehicles into Malebogo township near Hertzogville in the western Free State this week.

His aim? To present a memorandum penned to the local ANC branch insisting that the black boycott of Hertzogville be called off.

(20)

The memo was handed over to branch chairman Sam Mokgobo by local farmer Faan Malherbe.

The memo stated that the tense situation and alleged intimidation by liberation organisations would not be tolerated any longer.

However, Mokgobo took a dim view of Piet's letter. He said his organisation viewed the contents of the memorandum as nothing more than a threat against democratic organisations.

He said that the consumer boycott in the area would continue as long as the farmers were not prepared to discuss problems in an amicable way.

Car sales slump

CAR sales are likely to tumble to 177 000 this year — the lowest since 1977. S/Times (Buss) 13/9/92

Strikes, the devastated economy, drought and an unstable political environment are responsible.

August sales of new cars, medium and heavy trucks were down on the previous month. Only light commercials made a modest increase. (20)

Sales for the next four months would have to exceed averages for the first eight months of this year if projections made in July by the National Association of Automobile Manufacturers of SA (Naamsa) are to be met.

Industry sources suggest that new-car sales for the year will be about 177 000 and light commercials 90 500.

August car sales totalled 15 214 compared with 15 328 in July. Light commercials sales last month were 7 848 compared with 7 154.

Medium and heavy truck sales totalled 263 and 426 respectively in August.

Toyota Marketing managing director Brand Pretorius says sales for the rest of the year will probably continue at July and August levels. The motor industry will "be hard pressed to realise 180 000 passenger vehicle sales for 1992".

Hyperette may be sold

B/DAY 14/9/92

Business Day Reporter (30)

DCM-listed Hyperette is likely to be sold and delisted from the JSE following today's publication of a second cautionary announcement, sources said.

Today's cautionary follows an earlier announcement which said the group would either restructure or dispose of all its assets, and delist from the JSE.

It said merchant bankers were valuing the ordinary shares to determine whether they had any value. The share has languished at 10c for some time.

Industry sources said at the weekend, that it was likely that Unidev would sell its 33,3% stake, and other shareholders would probably also sell theirs. Spar could be a possible buyer, they said.

Operations click into place

BDAY 15/9/92. (20)

LINDA ENSOR

CAPE TOWN — Toiletries and gifts retailer Clicks was expected to produce a pre-interest profit growth above the rate of inflation in the year to end-April 1993, CE Trevor Honeysett said in an interview at the group's AGM yesterday.

In the four months since its April year-end Clicks has achieved its targets and produced above inflation growth.

Bottom-line earnings for the full year will be further boosted by the interest income earned on the proceeds of the R52m rights issue, of which R40m was still available at end-April.

The rights issue came too late to benefit the previous results — the net interest bill for the 14 months to end-April was R4,7m.

Honeysett stressed, however, that the forecasts assumed that there was no worsening of the current political and social environment. Trading conditions were tough, and getting harder and harder and margins were under severe pressure.

"This is definitely the worst recession since the war," he said.

Clicks, as a retailer of basic necessities, had traditionally been able to withstand recessions, but did not peak as radically as other companies during an upturn. In the 14 months to end-April, earnings a share grew by about 20%.

Honeysett believed the economy would gradually improve — perhaps at the beginning of next year — and added that the group had concentrated on stocking up with affordable, value-added merchandise for the Christmas season.

Regarding Musica, which Clicks acquired recently, Honeysett said the immediate objective was to return the chain of 55 stores to profitability. A senior member of the Clicks board, former human resources director Robin Spengler, had been appointed MD with the twofold objective of making Musica profitable and penetrating the huge music market of which Musica had about 15%.

He said a lot of investment and energy was being devoted to turning the chain around and he was confident that the chain could make a significant contribution to profits once it was back safely in the black.

Honeysett said Musica's problems stemmed from its being an undercapitalised, small business trading in a difficult economic environment. The net asset value revealed in a due diligence test was "nowhere near" that tabled during the negotiations, as many of the assets were not recoverable and this had required a radical reduction in the purchase price to 5c.

He said Clicks' purchase of Musica was a rescue operation which saved it from ultimate liquidation and it was possible from hindsight that Clicks paid too much for it.

Honeysett said Musica's distribution network was being examined to see if synergistic benefits could be achieved in this area with the other chains in the group.

Diskom MD David Danziger said in reply to questions by SA Shareholders' Association chairman Issy Goldberg that the Diskom chain had been affected by the political violence in some areas, which were more volatile. It had also had a short-term affect on decisions on where to open new stores. Diskom plans to have a total of 200 stores by the mid-nineties and was well placed to take advantage of an economic upturn.

Honeysett said by the end of the current financial year the group planned to have 145 Clicks, 90 Diskom and 65 Musica stores — a total of 300 outlets compared with 203 at the end of April 1992.

Clicks chairman Carlos dos Santos said the R40m available from the rights issue would be used to finance operations, for refurbishing and for opening new stores.

The Premier group holds 37% of Clicks through Score-Clicks, which owns 50,1% of the chain.

Rich now feel the pinch

STAR 16/9/92

Crime Reporter

The recession has hit even affluent suburbs so hard that residents have taken to shoplifting at an alarming rate. They are "not stealing for fun, but to survive", a surveillance company general manager said yesterday.

Securisearch general manager Bryan McDermott said the recession, retrenchment and unemployment were forcing people in "mink and manure belts" to pinch to maintain their high standards of living.

The highest incidence of shoplifting countrywide were recorded at the Sandton City and Eastgate shopping complexes, where most perpetrators were "white-collar workers". Shoplifting was no longer a crime committed primarily by the poor, he said.

(30)

According to Mr McDermott, retailers stand to lose R1 billion to shoplifting and internal theft this year.

Shrinkage losses affect turnover

WILSON ZWANE (30)

THE SA retail industry stands to lose more than R1bn or 2% of its annual turnover this year through shrinkage, according to an electronic surveillance company. BDAY 16/9/92.

"Some large retailers will lose as much as R50m," Securisearch GM Bryan McDermott said yesterday.

Retailers canvassed yesterday agreed that shrinkage was a serious problem which affected turnover.

OK Bazaars and Pick 'n Pay estimated that losses through shrinkage averaged 1% of annual turnover.

Pick 'n Pay GM Mike van der Merwe said the problem was international and was more grave during recessions.

McDermott agreed and said the retail industry worldwide stood to lose R160bn this year. People were not stealing for "fun but to survive".

He said sophisticated networks were in operation to acquire stolen goods and find markets for them.

To protect their goods, retailers had to follow the international trend and install electronic surveillance equipment, McDermott said.

Three killed in train violence

BDAY 16/9/92.

RAY HARTLEY

IN A bloody incident of violence against commuters, three people were killed and nine injured on a train as it passed through four stations on the Soweto line yesterday morning.

The killings came as negotiations over commuter safety between the SA Rail Commuter Corporation, police and ANC-aligned groups remained on hold after Friday's decision to consult constituencies.

Police spokesman Capt Eugene Opperman said the killings were probably all committed by one gang of youths.

One of the victims, a woman, was stabbed to death before being stripped naked and flung from the train, he said. Another of the corpses was removed from the train at Langlaagte Station by people wanting to provide medical assistance.

In spite of this the train's run continued uninterrupted and two more bodies were thrown off between Longdale and Highgate stations.

Asked why the train had not been stopped or searched between the stations, Opperman said police could not be everywhere at once. ".. that is impossible because in our region alone there are over 200 railway stations and only nine of them are in Soweto," he said.

Two more people were injured in a separate incident on the East Rand.

Cosatu said in a statement yesterday train killings were linked to covert activity which had also sparked renewed violence in Natal.

"Since the revelations by Felix Ndimene that Recce units were perpetrating massacres on the trains, not a single attacker has been jailed, despite the scores of attacks and deaths which have taken place."

SADF uniforms misused — monitor

RAY HARTLEY

MEN in SADF uniforms who were killing residents of several Natal townships could be part of a third force, Durban-based DP unrest monitor Roy Ainslie said yesterday.

"There are elements in the country who are determined to destabilise the situation. One of the things they are doing could be this (masquerading as SADF troops)."

Regulations were needed to cut down on the availability of SADF and police uniforms to the public, Ainslie said. An SADF source said greater control over the distribution of uniforms was being investigated.

In the latest incident, gunmen in SADF and police uniforms killed eight Inkatha supporters in Umgababa on Monday, raising the toll in this type of violence to 32 in recent weeks, latest figures show.

Sapa reports Natal regional police commissioner Lt-Gen Cilin Steyn has offered a R20 000 reward for information leading to the arrest and conviction of those responsible for the Umgababa attack.

Cosatu has condemned the attack, but Inkatha called yesterday for a special unit to investigate whether Umkhonto we Sizwe played a role in attacks by people in SADF uniforms. BDAY 16/9/92

Ainslie said there were very few cases where attacks in Natal had been proven to be linked to either the ANC or Inkatha.

"Inkatha's ability to evaluate immediately after an attack what part the victims and the attackers come from is highly suspect," he said. Membership cards were no longer an accurate way of determining political allegiances, he said.

A Human Rights Commission statement said yesterday 195 people had died in Natal in August, 68 of them along the South Coast where the Umgababa killings took place.

Bhamjee bid to appeal fails

STEPHANE BOTHMA

THE last avenue open to former soccer kingpin Abdul Bhamjee to appeal against a 14-year Rand Supreme Court prison sentence for stealing R7,4m was closed this week when Chief Justice Michael Corbett dismissed his petition for leave to do so.

Three earlier attempts by Bhamjee to obtain leave to appeal before trial judge M J Strydom also failed.

The former NSL public relations officer was convicted in January on 33 counts of theft involving NSL money.

He pleaded not guilty,

PEANUTS

Mass action expected to hit retailers' results

B/DAY. 16/9/92. (30)

MARCIA KLEIN

MAJOR retailers reporting over the next few months would not escape the serious harm caused by the 5,4% real sales decline in the first half and mass action in August, analysts said yesterday.

One analyst said this was the first time in many years that companies catering for the white market could fare better than those aimed at the black market.

Black consumer spending had grown rapidly in the past, but mass action, stayaways and unemployment had seen sales to this market taper off.

Companies which reported to end-June had to contend with the real decline in retail sales, but had not felt the full effect of mass action. Those with results including August would do particularly badly.

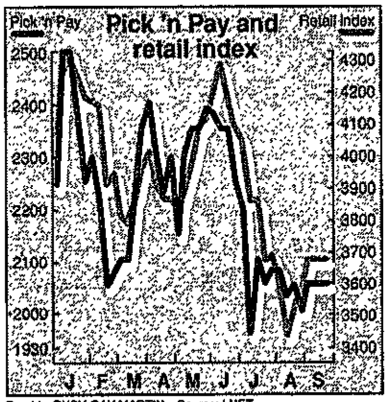
For food retailers, mass action had a permanent effect. An analyst said that unlike furniture or clothing, sales of food products were not postponable, so lost sales were never recouped.

For most of the major retailers, food comprised between 60% and 90% of total sales.

While food sales had been hard hit, an industry spokesman said non-food sales had been even worse.

Analysts had expected Pick 'n Pay to show growth just short of inflation for the full year to end-February, but events in August had caused them to adjust forecasts downward.

The group, which would soon release interim results, was expected to show earnings growth of between 9% and 10% for the year. Interest income would improve, and the scanning system would have a positive effect on results.



Graphic: RUBY-GAY MARTIN Source: I-NET

It was difficult also to predict to what extent Shoprite-Checkers had been squeezing Pick 'n Pay. Although Shoprite-Checkers had been gaining strength, the biggest threat was the union demandfor collective bargaining on wages.

Checkers, expected to make a meaningful contribution to the Pepkor group only in February 1994, could show signs of a turnaround in the current year.

The OK group would fare much worse than its competitors. The benefits of its splitting operations into Hyperamas and OK stores would be negated by economic conditions, analysts said. It was particularly susceptible because of exposure to the black market.

The split would have had a positive effect on Hyperamas, but "would deplete what was left of the OK". The only area where it was saving costs was in advertising, which it had brought in-house. The share price — at a low of 700c from 1 275c at this time last year — confirmed analysts' expectations of a loss for the year to end-March 1993.

The tax write-back in the previous year had given a false impression of results. It would not show a pre-tax profit in the current year.

Spar, the other major retailer, was believed to be gaining market share and improving its profitability, mainly because of incentives for owner-managers to do well.

EXECUTIVE SUITI

Retail sales plunge as shoppers cut back

(30)

BDAY 16/9/92.

HILARY GUSH

A COLLAPSE in consumer confidence and sharply lower disposable income levels pushed retail sales down by 10,3% in the year to June.

Official statistics released yesterday showed that general department stores were the hardest hit, with sales plummeting 15,9%.

There was a 15,5% dip at grocery stores and a 6,5% decline at clothing, footwear and textile retailers.

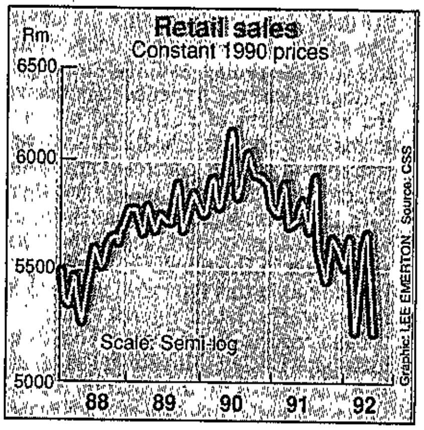
Sales in June were 7% lower than retailers had expected.

Figures published by the Central Statistical Service (CSS) showed that June sales shrank in real terms by 10,3% year-on-year, and by 8,2% from May's level.

Sacob economist Bill Lacey said the lower retail sales figure was an "amalgamation of the collapse of consumer confidence arising from both economic and political circumstances".

"In times of political uncertainty consumers cut back on purchases and particularly spending on durables," he said.

The marked drop in grocery sales was a result of sharp food price increases, while



falling butchery sales suggested that consumers had altered their buying patterns and cut down on meat purchases.

The CSS data also showed that total inflation-adjusted sales for the first six months of this year were 5,4% lower than those recorded for the first half of 1991.

The largest decrease during this period was seen in perishable and processed food products where sales fell 13,3% in real

☐ To Page 2

Retail sales

BDAY 16/9/92 (30)

☐ From Page 1

terms. Other "inedible groceries", such as detergents, fell 12,3%.

TV set sales showed the largest increase, rising 11,6%.

Nedcor chief economist Edward Osborn said the figures confirmed the poor state of personal consumption expenditure which could be attributed to the extent of retrenchments and broadly lower disposable incomes.

"This has, in turn, contributed to very poor GDP figures for the first two quarters of this year.

"We are in a situation of income collapse in this country."

Consumption had declined and made an impact on manufacturing production.

Osborn said the figures were indicative of the general economic malaise, which was primarily one of lower income levels arising from high unemployment rates.

be stopped ● Businessmen call for an end to violence

Mr Phineas Rakgabale (right) of Mahwelereng won R200 for displaying his *Sowetan* bumper sticker. Mr Johannes Monama of Tritex filling station in Potgietersrus gave him his prize.

Violence must 'be stopped'

Sowetan 16/9/92

30

■ CRITICAL PERIOD Premier boss warns of effects of political instability:

By Joshua Raboroko

CERTAIN ACTIONS by political parties damaged the economy and would weaken the ability of the corporate world to help small business develop and create jobs for the disadvantaged.

Speaking at the Business and Entrepreneurial Development Conference in Midrand yesterday, the chief executive of the Premier Group, Mr Peter Wrighton, said black economic empowerment could not take place in an atmosphere of violence and political instability.

"We all know that the regeneration of business cannot take place without peace and political stability. We plead with our leaders to act more like statesmen in this critical period of our history," Wrighton said.

He appealed to the corporate world to help township entrepreneurs.

"Big brother must help small brother grow," he said.

National Sorghum Breweries' Professor Mohale Mahanyele said one of the stumbling blocks to black advancement was lack of finance.

He saidbig business and the Government should pump money towards black economic empowerment.

Cosatu's appeal to employers

Sowetan 16/9/92.

Deadline to taxes nears as protests increase:

By Ike Motsapi

THE CONGRESS of South African Trade Unions has set December 1 as a target date for employers to stop deducting the Pay As You Earn tax from workers' salaries.

Cosatu media officer Mr Neil Coleman yesterday said they expected companies to support the call as part of he ANC-led mass action.

Instead, employers would be asked to pay the tax into a fund for "peace and democracy" to be established soon.

The federation also agreed to step up the mass action campaign.

It would also call for the occupation of government buildings.

Black business sector ruled out

CT 16/9/92 (30)

By AUDREY D'ANGELO
Business Editor

THE Black Management Forum (BMF) does not aim at developing a separate black business sector, because that would be racist and a continuation of apartheid, its Western Cape chairman, Humphrey Khoza, said yesterday.

He told the Institute of Directors (IoD), at a breakfast meeting in a city hotel, that the BMF hoped affirmative action would lead to black empowerment and a fully integrated, non-racist, nonsexist business environment.

Separate development

"I am not a proponent of the creation of a black business giant — a black Sanlam.

"This, to me, would not be reconstruction but perpetuation of separate development.

"Where these businesses exist we should aim to assist them to contribute to the overall economy. But the main objective must remain the economic empowerment of our disadvantaged to participate as equals in a single SA economy.

"This is the meaning of a shared future. Equal but separate smacks of racism.

"Sometimes things are established with good intentions but may be misconstrued by the intended beneficiaries. We have to open and extend overall business franchise to all."

Khoza said there were many people in SA "from both sides of the colour line who are still commmitted to a successful transition to democracy and economic reconstruction.

"I venture to say further, there are enough people in SA with a good basic education, possibly money, land and work to keep us all busy and effective in making this transition a success.

"Times are tough and business has a specific mandate and responsibilities in terms of shareholders, staff, customers and the societies that we operate in.

"Whatever the outcome of the political and economic problems in SA and elsewhere, the material needs of the country's growing population have to be satisfied — and industry must grow to meet them.

"That fact lies at the heart of the current negotiations, which will only be sustainable if supported by a strong economy."

However, Khoza reminded his audience, "there are some people who still hold that business is amoral and exists for the sole purpose of maximising the return to its shareholders.

"I, personally, believe this is not correct. Businesses are made up of people and people bring to the workplace their own sense of morality."

Stressing the need for affirmative action, Khoza said there was also a need for big business to subcontract to small business.

"There is a need to create or support black entrepreneurs, helping them to get into the economic mainstream and become producers and employers.

Big business

"The new SA cannot afford a situation in which the black majority remain employees with only the white minority being responsible for wealth creation. This is politically wrong and economic nonsense."

He pointed out that big business was tending to make increased use of automation while small business tended to be labour intensive.

"A sound balance between the two must be established."

B/DAY 17/9/92

Union pledges to 'grab'

ABOUT 150 members of the Western Cape Unemployed Workers' Union recommitted themselves yesterday to making regular bread and milk "grabs". They had already done so on four occasions.

After a meeting in Cape Town, a group of about 100 forced their way into a bakery and helped themselves to bread. (30) (14

Prefhold comes close to meeting earnings forecast

B/DAY 17/9/92.

(30)

MARCIA KLEIN

PREFCOR Holdings (Prefhold) came close to meeting its earnings forecast in the year to end-June despite a worse than anticipated drop in consumer spending.

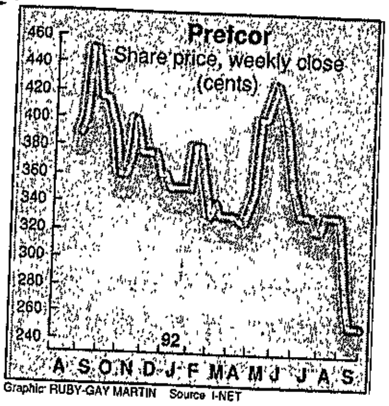
The Durban-based group, which includes furniture and retail chains Beares, Game and Bee Gee, met its dividend forecast of 30c a share for the year by declaring a final dividend of 15c a share.

However, attributable income of R40,1m, helped by lower debenture interest and lower taxation, was 5,4% below the group's prospectus forecast of R42,4m.

Prefhold also announced that it had concluded the final terms of its merger with the McCarthy Group, which should be signed by the end of the month and would result in a combined group turnover of R4,5bn.

Terms had been revised because actual results differed from those expected when the original share exchange ratio was agreed upon.

Prefhold ordinary shareholders would now be offered 75 — rather than 80 — McCarthy shares for every 100 ordinary Prefhold shares held,



Graphic RUBY-GAY MARTIN Source I-NET

and one McCarthy senior or junior convertible debenture for each corresponding Prefhold senior or junior debenture.

The McCarthy debentures would be convertible into McCarthy ordinary shares in the ratio of 75, and not 80, McCarthy ordinary shares for 100 McCarthy debentures.

Prefhold executive chairman Terry Rosenberg said both companies would still focus on their core businesses. But there were synergies in terms of financial packages and schemes to widen the market for vehicle sales based on Prefhold's experience retailing to mass markets.

This is Prefhold's first year of trading, so results cannot be compared with the previous year.

However, pro forma figures — based on the 1991 results of the companies now in the group — show that turnover increased to R1,2bn from R1bn in the previous year. In its prospectus, Prefhold had forecast turnover of R1,27bn.

Rosenberg said results were satisfactory given the recent performance of the retail industry.

They had been achieved through Prefhold's strategy "of being thinly concentrated in widely spread geographic areas, its tight control of the debtors' book and the quality of its hands-on management team and low staff turnover", he said.

The launch of insurance company Prefsure opened up new opportunities "in an area of business strongly allied to its core activities". Prefhold had entered about 20 new geographic markets and was well positioned to improve market share.

Prefhold's share price, currently at 250c, was originally offered at 500c, but has not traded higher than 475c since listing in August last year.

Consumers pay for retailers' poor productivity

B|DAY 17/9/92

(30)

BERNARD JANISCH

COMMENTING on the recently published figures for food inflation on a radio talk show, a spokesman for a major supermarket chain made the following revealing observations:

- He disputed the figure of 30% inflation and indicated that his group felt it was nearer 21%;
- He implied that the high figure was largely the result of the drought and of government's insistence on retaining VAT on basic foodstuffs; and
- He argued that, since their profit margins were very thin (about 2,5%), there was nothing they could do unilaterally to reduce prices.

It is difficult to decide whether he regards his customers as fools or is indulging in an elaborate self-deception exercise.

In the face of weak demand resulting from declining disposable incomes, highly competitive industries have been slashing prices to retain market share — not so supermarkets and dairies, among others, that persist in increasing prices in response to falling demand. Is this due to greed or stupidity?

At least one answer lies in the practice of computerised pricing whereby floor managers are required to generate a specified profit from a given amount of shelf space. After manipulating the suppliers and the product mix (usually in a most unsympathetic and adversarial manner) any fall in physical sales is a signal to increase markups to compensate and to restore target profits.

As long as the whole industry is behaving this way rapid inflation moves hand-in-hand with declining physical sales.

When the supermarket executive refers to small profit margins — for emotional effect he emphasised just R2,50 for R100 of turnover — the implied message to the customer is that average markups of products on the shelves is 2,5%. The truth is that the profit margin consists of gross trading profit less total operating expenses on a base of total sales.

In the early years of supermarketing in this country, gross profit margins were of the order of 10%. Now mismanagement and an inability to contain the operating expenses ratio has resulted in gross profit margins on many items in excess of 50%.

The operating expense ratio is sensitive to many influences, among them:

- Falling sales without concomitant expense reductions, which increases the ratio;
- Conversely, a rise in turnover reduces the ratio as most expenses are fixed or structural in nature;
- Increasing people costs resulting from militant wage bargaining increases the ratio;
- Increased losses through shrinkage, aggravated by higher prices in the face of recession and growing unemployment, increases the ratio; and
- Failure to improve stock turns and supplier returns through lack of effective co-operation with the supply chain increases the ratio.

The performance of the major UK retail chains is in stark contrast to the SA chains. Companies such as Tesco hold as little as four days' stock on major items and have reduced supplier returns to practically zero. Despite the increased number of monthly deliveries, supplier trucks are handled at receipt depots in under half an hour. This has enabled Tesco to raise its profitability fourfold in the past 20 years while reducing real pricing of products to the end customer.

The secret lies, of course, in expanding physical sales turnover and improving logistic (supply chain) performance, so generating impressive productivity gains. SA chains are moving in the opposite direction, to the detriment of the customer and the supplier.

The supplier, at the mercy of the powerful retail chains, is being forced to agree to increasing confidential discounts, extended payment terms and the requirement to contribute increasingly to point-of-sale promotional expenses.

At the same time, rapid escalation in retail prices for his products is pushing physical turnover down. To survive, the embattled supplier is retrenching staff and so contributes to a declining customer base and falling disposable income.

Centrally imposed pricing restraint is not the answer. Free enterprise must prevail. Imagine the impact if one major retail chain were to reduce prices across the board by say, 10%. With innovative marketing, this could precipitate a rush of customers and a significant increase in physical turnover — perhaps sufficient to raise overall profitability.

The ensuing price war would not be comfortable for the retailers but, for the hard-pressed consumer and the tottering economy, it could provide the shot in the arm and the reduction in the inflationary trend so vitally necessary at this time.

Janisch is a Johannesburg-based management consultant.

TWO FINANCIAL firms in Europe

Mutual funds for women rile critics

by women decision makers around

VICTORIA WHARF

Boomtime at the V&A

FM 18/9/92

(30)

The retail component of the R110m, mixed-use Victoria Wharf centre — the most ambitious project so far at Cape Town's Victoria & Alfred Waterfront — will be fully let when it opens next month. So predicts V&A MD David Jack.

Leases have been signed for 104 of the 105 shops, which have a gross lettable area of 21 000 m². Tenants to date include Pick 'n Pay Pantry, Clicks, CNA, Exclusive Books and speciality fashion retailers such as Fabiani, Jenny Button, Hilton Weiner and Aca Joe. There will also be a Nu-Metro cinema complex with 11 screens; 11 restaurants; a fresh produce market; a craft workshop and 2 500 parking bays. Victoria Wharf will trade seven days a week.

Jack says rentals vary depending on the nature of the business, location and size, but are comparable with regional shopping centres in the western Cape and retail space in Cape Town's CBD.

The centre will introduce the concept of "festival shopping" — combining serious shopping with selected speciality shops — to the V&A. Visitors will be attracted by the experience of Victoria Wharf but most will end up buying. Consultant Doug Parker and Associates has established that the Atlantic suburbs and city bowl will be the centre's main market — bad news for Sea Point and CBD traders, many of whom are already suffering from the recession and loss of custom to the waterfront.

Jack believes the centre will complement existing V&A traders, not undermine their businesses. In spite of a general downturn in retail activity in Cape Town, most waterfront traders say business is better now than in the same period last year.

Victoria Wharf is expected to play an important role in increasing the number of visitors to the waterfront from 7m in the year ending March to 9m in the current 12 months. According to the V&A's latest annual report, total retail turnover for 1991-1992 was R55m. The Victoria & Alfred Hotel — recently awarded a four-star grading — achieved an average occupancy of 86%, compared with a regional average of less than 60%.

Victoria Wharf will also be significant to the longer-term development of the waterfront. It will become the primary shopping and entertainment venue for about 40 000 people, who will eventually live or work in the area. When completed early in the next decade, the development will include 30 000 m² of retail space, 150 000 m² of office space, 9 000 parking bays and 1 500 residential units.

In his annual report, V&A chairman Brian Kantor said the development was market-driven and that management was "committed to realising the potential that the Waterfront offers to prospective developers, tenants and residents."

Funding has been split almost evenly between Transnet and private sector investors. By the end of the financial year in March 1993, Transnet will have put in R220m, compared with about R200m by the private sector. It is estimated that R2,3bn (at current values) will have been invested in capital projects by the end of the year 2003 with most of it going into the residential component.

Apart from Victoria Wharf, new developments due to come on stream over the next few months include:

- ☐ The R100m Portswood Square office development alongside the UCT Graduate School of Business. The Stocks & Stocks project will comprise a 1 000-car underground parking garage, 18 000 m² of A-grade office space and a 120-room hotel. The first phase is due to be completed early next year;
- ☐ A R20m City Lodge in the Gateway Precinct. The 168-room hotel is due to open before Christmas; and
- ☐ The new main access road to replace the current Dock Road. Due for completion by October, it will skirt the perimeter of the V&A precinct. ■

MAST FM 24/9/92

Into academia

(30)

On the anniversary of its acquisition of Universitas, from the Literary Group in 1991, Mast Holdings announced its intention to acquire the Academic division of the Literary Group, with effect from September 1992.

This arm of the wholly owned CNA Gallo subsidiary is a leading retailer of academic books and periodicals, roughly the same size as Mast was at its 1992 year-end. Academic has 11 retail outlets trading under names such as Logans, Campus Books, Westene Rondebosch and Westene Medical Book Shops. Literary Group retains Exclusive Books, Pilgrims Bookshops, and Bookworm. These, with the CNA outlets, still leave CNA Gallo with more than half the general book retail market.

The acquisition of Academic, a new division for Mast, follows the latter's move towards product-based services. Since Mast's listing in 1987, the proportion of its profit coming from product-based services had increased from 30% to 68% at end-February. Executive chairman Stephen Dallamore says the latest acquisition changes Mast to an asset-based business, with 90% of profits coming from products.

In his 1992 review, CNA Gallo's CE Dennis Cuzen says the academic division "turned in a creditable performance though stockholding requires attention. This remains a difficult market, which has not been improved by the recent low growth in student numbers countrywide."

Dallamore says rationalisation in Mast and Academic should enable better stock management. He says the acquisition is a major opportunity, providing retail exposure for Mast's products such as its educational video products.

Academic is sole supplier of academic literature to Wits and Maritzburg Universities, and it has 75% of the UCT market. Dallamore reckons its greatest potential for growth lies in its comparatively small exposure in the Unisa and technikon markets. He believes greater numbers attending technikons will compensate for low growth at universities.

Of the R7,7m acquisition price, R4m is payable on completion of the transaction, R1,75m in March 1993 and R1,95m on June 30 1993.

Funding details have not been disclosed, but there are various options. At last year-end, Mast had R4m cash. If equity is issued, it would probably be in convertible debentures, but CNA Gallo — the second largest shareholder with 37,9% of Mast — apparently will not be taking up more shares.

Marylou Greig

Sacob to tackle range of issues

BDAY 18/9/92 (30)

SHARON WOOD

ESCALATING food prices, the promotion of small business and export promotion will be among the major issues discussed at the Sacob annual convention in Durban at the end of October.

More than 400 businessmen are expected to attend the two-day convention where several motions will be put forward by chambers of commerce across the country.

The Durban Regional Chamber of Commerce is calling for a federal political system because it believes this addresses the diversity of interests in SA.

The Cape Town Chamber of Commerce has put forward a motion calling for a social accord between labour and organised business.

Current monetary policy is attacked by the Border Chamber of Business, which says it has gone beyond the limits of usefulness and is inflicting harm on the economy.

Trade policy is dealt with by the Pretoria Chamber of Commerce, which urges government to implement the major elements of the Industrial Development Corporation report on protection policy.

Government spending should be curtailed, says the Johannesburg Chamber of Commerce and Industry, and the tax system should be continuously reviewed.

There will also be an economic debate, where Reserve Bank governor Chris Stals will talk on the global economy and SA, JSE president Roy Andersen will present a paper and The Sowetan editor Aggrey Klaaste will discuss business and the changing SA.

COMPANIES

Ackermans to move out of Pep

MARCIA KLEIN 30

PEPKOR planned to take clothing, footwear and household textiles chain Ackermans out of subsidiary Pep Limited (Pep) and move it into the broader Pepkor group, a spokesman said yesterday. B/DAY

Pepkor and Pep yesterday cautioned shareholders that they were in the process of restructuring within the group in respect of the Ackermans chain. 18/9/92

Ackermans was in the process of being repositioned, and was becoming "foreign" to Pep. Its move would clean up Pep and leave it as a totally focused group.

It is believed that Pepkor would seriously consider listing Ackermans, but not at this stage, given the state of the economy and the stock market.

Little information is given on Ackermans or its performance. According to Pep's annual report, Ackermans has 124 outlets and employs 1 800 people.

It was in the process of repositioning itself with larger stores geared towards the urban shopper "and positioned in a market segment slightly higher than that of Pep Stores".

An analyst said the repositioning to a more upmarket chain could have meant that Ackermans no longer fitted in the Pep stable.

However, there were also reservations about the move. He said it was possible that the repositioning was not working, or that it was costing more than anticipated and was draining Pep's profits.

There were strong market rumours that Pep was buying out some of the OK stores, and would incorporate these into Ackermans.

But this was denied by both Pepkor and the OK.

Store readies for 'free food' demos

South 19/9 - 23/9/92

By Rehana Rossouw (30)

UNEMPLOYED workers are continuing their "bread and milk" campaign, threatening to hit one supermarket a week to help themselves to these products to highlight their plight.

And Pick 'n Pay is bracing itself against the campaign after the Western Cape Unemployed Workers' Union (Wecuwu) singled it out as a prime target.

The company's spokesperson Mr Steve MacDonald said they would "do what they have to" to protect their assets.

Wecuwu sub-regional secretary Ms Nozibele Lufele said this week that their goal was not only to take bread and milk from Pick 'n Pay but demand "jobs for all" from the company as well.

"Pick 'n Pay spent millions of Rands on the Olympics while we were suffering," Lufele said.

"We want them to open training centres so if jobs come up our members are able to take them.

"They must stop giving only coloured people jobs and food parcels; our members must get them too."

McDonald said he was "extremely sorry" Wecuwu had decided to target their stores as the company had several meetings with them and were planning to meet them again next week.

"We were the only company prepared to meet them. They admitted in one of the meetings that no-one else would even give them an appointment," he said.

IN THE DARK: Electricity will change the lives of township residents

Banks funding small business

(30)

South 19/9-23/9/92

WHILE civics campaign for better and easier access to bank finance for grassroots communities, five major banks have joined forces with the Small Business Development Corporation to raise over R500 million over the next three years for small business.

Obviously aimed at combatting rising unemployment by encouraging small businesses to expand operations, the scheme is being underwritten by the government to the tune of R20 million.

The scheme underwrites a portion of the risk to which banks are exposed when considering small business loans. This enables bankers to retain their normal credit standards while reducing the collateral which small businesses usually have to supply.

To date, the scheme has provided loans worth R28 million to more than 130 small to medium-sized businesses, giving an average loan size of about R200 000.

The maximum loans allowed are for R400 000. A fee of 0,75 percent a year is levied on the amount granted and the interest rate cannot be higher than the prime overdraft rate plus four percent.

The banks involved are the African Bank, Boland Bank, First National Bank, Nedbank and Standard Bank.

Recession fails to halt Prefhold's expansion

STAR 21/9/92

By Stephen Cranston 30

While many furniture retailers have been pulling back, Prefhold has grown selectively, says chairman Terry Rosenberg.

Writing in the annual report for the year to June, Mr Rosenberg says the group entered 20 new geographic markets last year.

This year, the expansion switches to Game and Bee Gee. Game has opened in Midrand and Empangeni, and opens in Pietersburg, Nelspruit and the East Rand Mall later in the financial year. Bee Gee will open 11 branches before the end of December.

Mr Rosenberg says it was decided to increase Bee Gee's branches because favourable leases and good sites are more readily available in depressed conditions.

The division achieved a 34 percent turnover growth on the previous year and a 41,9 percent increase in pre-tax profit.

A new departure has been the development of a credit chain selling building materials. Called Bonus Building Supplies, it gives customers up to 24 months to pay, allowing them to pay as they build.

In the furniture division, Beare group turnover rose 22,6 percent, of which 10,4 percent was the result of new store growth and 12,2 percent from existing stores.

Although stringent credit-granting criteria were applied, bad debt write-offs, including repossessions, rose from 1,8 percent to 3,5 percent of sales, and arrears from 8,3 percent to 9,9 percent.

An additional provision of R3 million was provided for any increase in arrears in the current year.

Mr Rosenberg says the intended merger with McCarthy makes sense because both McCarthy and Prefhold, which will be renamed McCarthy Retail, need large amounts of finance to facilitate the sale of products.

Sharp retail spending slump expected

B/DAY 22/9/92. (30)

GERALD REILLY

PRETORIA — Seasonal retail spending at Christmas and spending on domestic tourism are expected to be down markedly in real terms compared with last year, say economists.

Absa senior economist Adam Jacobs said personal disposable incomes had dropped this year by at least 5%.

Debt levels, too, remained abnormally high. Workers were still being retrenched at a disturbing rate and wage and salary adjustments were substantially below the inflation rate.

"Generally, consumers are poorer and less able to spend than they were at this time last year."

Other economists said yesterday credit spending would also be down as people were reluctant or unable to increase their debt, and financial institutions were no longer "easy touches" for credit.

Jacobs said the trend towards "precautionary savings" driven by the current acute economic and political uncertainties was becoming more apparent. Against this background and the fact that no dramatic improvement could be expected in the short term, spending, in real terms was likely to be down by about 5% and up in norminal terms by about 10%.

AHI economist Nick Barnardt said no upswing in the economy could be expected until the second quarter of next year. He agreed year-end retail sales would be markedly down on last year's figures in real terms and expected demand for luxury goods and semi-durables to decline sharply.

Slight recovery in July's retail sales

(30)

B DAY 22/9/92.

MARCIA KLEIN

LARGE-scale forward buying ahead of August's mass action campaign saw retail sales show a slight recovery in July after six months of severely depressed consumer spending.

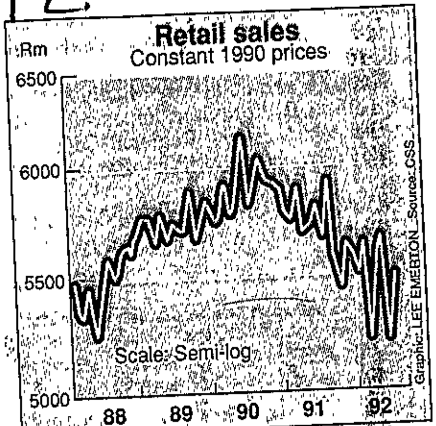
Figures released yesterday by the Central Statistical Service (CSS) showed total real retail sales increased 5,3% compared with June after seasonal adjustment.

Sales were still 3,5% lower than July 1991 in real terms, but showed an improvement in the 5,4% drop in sales in the first six months compared with the same period last year.

In nominal terms, July's total retail trade sales of R7,15bn increased 11% compared with July 1991 and rose 6,6% "compared with an extraordinary low June 1992" after seasonal adjustment.

Industry and market sources said the July figure was off a low base of the previous month, but also reflected increased buying ahead of August's mass action.

They said it was surprising that bottle stores had shown the largest decline of 6,2%. While these stores should also have benefited from forward buying, the figures could reflect the fact that beer volumes were at a low ebb.



An economist pointed out that bottle store and tobacco figures could be misleading as they did not take into account significant sales in the informal sector.

Fedhasa national liquor committee chairman Ian Rubin said liquor sales were suffering. July was traditionally a bad month for sales. However, August total turnover had been better than in July.

● See Page 3

New models lift depressed market

(BD) EDWARD WEST (30)

NEW car sales may be at all-time lows, but the launch of new models this year has underpinned the market to such an extent that demand has outstripped supply and waiting lists for some models stretch to seven months. B Day 22/9/92

A BMW spokesmen said orders for the new 316i were taking seven months to fill, while one had to wait up to four months for 320i and 325i models.

The waiting list for 5-series and 7-series cars was between six and seven weeks.

The new Hondas launched in June have waiting lists of between three and four months, while a Mercedes-Benz can be delivered in about two to three weeks.

Mercedes-Benz SA board member Peter Cleary said demand for the new Honda had outstripped expectations. About 1 200 Hondas were being ordered every month, but only 900 were being produced.

Hondas, the BMW 3-series and Nissan's new Sentras accounted for 21% of August's 15 214 new car sales and 27% of July's 15 328 sales.

The waiting list for Sentras was about three months, with the models at the bottom of the range the most popular, said Nissan spokesman Nico Brits.

Moves were under way to increase production from the current 1 800 a month.

National Association of Automobile Manufacturers of SA director Nico Vermeulen said uncertainty in the market meant manufacturers had been conservative in planning for new models.

He pointed out that the launch of some more new models this year and some early next year would probably continue to stimulate demand.

● See Page 3

Federated-Blaikie closing 14 branches

Finance Staff 30

Federated-Blaikie is to close 14 of its 56 FT Building Supplies branches and four joinery manufactruing operations. The closures will begin to take effect from September 25.

MD Dick Pratt says the decision has been taken with reluctance and deep regret, but has been forced upon the company by the depressed state of the building industry, particularly for housing.

He says customers likely to be affected by the closures will be serviced by the remaining FT branches — Wardkiss HomeCare centres and Federated-Blaikie's other distribution companies.

He says the trade unions representing the nearly 1 300 employees nationwide likely to be affected have been fully informed and all reasonable steps will be taken to help them find alternative employment.

BUSINESS DAY, Wednesday, September 23 1992 3

Sacob tackles talks jam

Sacob deputy president Spencer Sterling, PAC first deputy president Johnson Mlambo, Sacob president Hennie Viljoen and PAC foreign affairs secretary Gora Ebrahim at a meeting in Johannesburg yesterday. Picture: ROBERT BOTHA

RAY HARTLEY

SACOB would try to help break the political deadlock because business was an important stakeholder in the success or failure of political negotiations, Sacob president Hennie Viljoen said yesterday.

Viljoen told a meeting of Sacob and PAC leaders a future government would find it impossible to meet the expectations of South Africans if it inherited "an economic wasteland".

"All around us we see potentially profitable businesses impeded by work stoppages, we see political violence persisting, we see the continued devaluation of the rand in international terms and we still face an impasse on negotiations.

"The normalisation process which started in February 1990 should by now, according to our views, have brought peace, reconciliation, economic revival and prosperity to all South Africans," he said.

Sapa reports PAC foreign affairs secretary Gora Ebrahim said democracy and the establishment of a consituent assembly would restore confidence and economic growth.

He reiterated the PAC's commitment to redistribution of wealth but said this policy was one of creating wealth, rather than expropriation and handouts.

Cape commercial sales defy recession

B/DAY 23/9/92 (36)

LINDA ENSOR

CAPE TOWN — Seeff Commercial Properties has sold a R4,7m Cape Town property to a Johannesburg investor, bringing the total capital value of its 17 sales of investment properties from January to August this year to R37,4m — equal to the total 1991 figure.

Seeff Commercial Properties MD Theodore Yach said the performance reflected the underlying strength of the sector, which had remained relatively impervious to the recession. It was one of the few sound and secure investment opportunities still left in the local market.

Although vacancies were high in some buildings, Yacht predicted they would be taken up within two to three years.

Seeff's most recent sale was the Satbel Centre in Green Point, a property with a lettable area of 5 106m².

Yach said prices fetched for Cape investment properties were substantially higher than elsewhere.

He cited the latest Rode report which showed that yields were lowest in the Cape for reasons such as security, way of life, the relocation of business to the province and the preponderance of institutional head offices.

Sacob meets PAC group

(30) STAR 23/9/92

By Michael Sparks

The South African Chamber of Business (Sacob) met a delegation of five Pan Africanist Congress members yesterday as part of its efforts to get negotiations on a new constitution back on track.

The meeting was one of a number arranged by Sacob with political organisations — including the ANC, the Congress of SA Trade Unions and the Inkatha Freedom Party — to discuss political and economic issues.

At a press conference after the meeting, Sacob president Hennie Viljoen reiterated his group's view that it was the obligation of politicians to put any new political structure in place, and that a strong economy was necessary to underpin any new dispensation.

Since it appeared that no end was in sight to negotiations, the economic downward spiral would continue, he said.

PAC foreign affairs secretary Gora Ebrahim said the political problem had to be solved first, since the economy could prosper only in a climate of tranquillity and peace.

Sowetan 23/9/92 (30)

Boycott suspended

A MONTH-LONG consumer boycott in the Eastern Transvaal was suspended yesterday.

The regional branch of the ANC and its allies said they had called off the protest, which had been against the dismissal of hundreds of workers who joined the August 3 and 4 stayaway.

The move was to allow meaningful negotiations between the alliance and companies involved. The consumer boycott at Secunda would, however, continue.

Pick 'n Pay results suggestive of upturn

STAR 24/9/92

(30)

By Tom Hood and Stephen Cranston

The economy could be on the mend if indications from a leading "barometer", Pick 'n Pay, prove correct.

Sales topped R3 billion in the half-year to August — a rise of 10 percent, and as much as total turnover for the whole of 1988.

Chairman Raymond Ackerman says the increase was slightly disappointing in view of the strong promotions during the six months, which included the Olympic Games sponsorship.

He says the imposition of VAT on basic foodstuffs, the drought and recession affected inflation and spending.

Mr Ackerman disputes the Central Statistical Service's figure of a 30 percent increase in food inflation, which he believes is based on the wrong baskets and the wrong sample of stores.

The figure for chain stores is about 21 percent, which includes 6 percent for VAT.

"This is still too high and we confidently predict that when VAT has run a full year, and the figures for October 1992 are reported, inflation for food will come down dramatically for the whole country. If reported separately, the figure for chain stores will show a dramatic downturn."

Raymond Ackerman . . . wrong baskets and wrong sample of stores

Once again, Mr Ackerman calls for the removal of VAT from basic foodstuffs.

Turnover figures were running well ahead of a 10 percent improvement until August's stayaways and economic disruptions hit the chain.

"We have seen a slight glimmer, with September looking a little better," says Mr Ackerman.

Pre-tax profit jumped 15,3 percent to R67 million, but profit margins were still at last year's low of 2 percent.

Net interest received of R8,1 million compared favourably with net interest payments of R2,7 million in the first half.

Earnings showed a 15,4 percent improvement, from which a dividend of 14,6c — up 16 percent — will be paid.

Mr Ackerman says the directors have agreed to a two-way share split to make the company's shares more marketable and more affordable for staff and customers.

The last share split, four shares for one, was in 1987. Before that, in 1981, the shares were subdivided seven for one.

This means a shareholder with 1 000 shares before 1981 will own 56 000 after the new subdivision.

The group's market share had reached an all-time high in food and non-food by the end of July.

MD Hugh Herman says non-food sales have been adversely affected because of a drop in durable goods demand.

The Chain Reaction clothing chain is being expanded, with a third outlet opening in Tyger Valley, north of Cape Town, in November.

The pace of openings was slower than usual.

A supermarket was opened in Midrand in July, with a Boardmans in the same centre. The East London store was expanded.

Pantries will open in Bloemfontein and the Cape Town waterfront and a Boardmans in Hatfield, Pretoria.

A major reason for the good results was tight control of expenses.

Numbers employed fell compared with those of a year ago, not because of retrenchment, but by not replacing people leaving.

Another major factor was the benefit of technology, which helped cut shrinkage to 0,5 percent — half its original rate.

Mr Herman says that since the introduction of scanning, much more information is available about consumer demand for products and volumes moving.

Mr Ackerman says it will be difficult to maintain the excellent results, given the current poor trading conditions.

But the directors are confident the improvement will continue in the second half.

Call to fence off hostel

30

STAR 24/9/92

Leaders of a two-month-old consumer boycott in Roodepoort, the local business community and the police have recommended jointly that a Dobsonville hostel be fenced off.

The Consumer Boycott Committee announced earlier yesterday that it was suspending the boycott of businesses from the end of the month, following a meeting on Tuesday.

"The suspension of the boycott is to allow the recommendations to be implemented, failing which we will not hesitate to review our stand," boycott leader Mandla Dlamini said.

The parties also agreed that a local high school caught up in continuing violence should reopen, and that a climate for the return of displaced families be created.

Forte High School, close to Simphiwe hostel, has been shut for about six months following attacks on pupils, Mr Dlamini said.

At least 60 people have died in Dobsonville during the past two years in violence involving inmates of the hostel.

A TPA official who attended the talks, held at the local police station, had pledged to push for immediate action by the town council on the recommendations, Roodepoort trader Ismail Hassam said. — Sapa.

Agreement to fence off hostel

Sowetan 24/9/92

■ CONSUMER BOYCOTT Suspended after meeting between residents organisation, businesses and police: 30

LEADERS of a two-month-old consumer boycott in Roodepoort, the local business community and the police have recommended jointly that a Dobsonville hostel be fenced off.

The Consumer Boycott Committee announced earlier on Wednesday it was suspending the boycott of businesses from the end of the month following a meeting on Tuesday night between the three parties.

"The suspension of the boycott is to allow the recommendations to be implemented, failing which we will not hesitate to review our stand," boycott leader Mr Mandla Dlamini said in a statement.

The parties also agreed a local high school caught up in continuing violence reopen and that a climate for the return of displaced families be created.

Forte High School, ~~close~~ to the Simphiwe hostel, has been shut for about six months following attacks on pupils, Dlamini said.

At least 60 people have died in Dobsonville during the past two years in violence involving inmates of the hostel.

A TPA official who attended the talks held at the local police station had pledged to push for immediate action by the town council on the recommendations, Roodepoort trader Ismail Hassam told *Sapa*.

Also at the meeting, a Brig de Vries pledged to step up security in the vicinity of the hostel, Hassam added.

He said the boycott had affected businesses "terribly" and things had come to a point where businessmen were becoming desperate.

Roodepoort lies west of Johannesburg. - *Sapa*

Results vindicate focused strategy of Specialty Stores

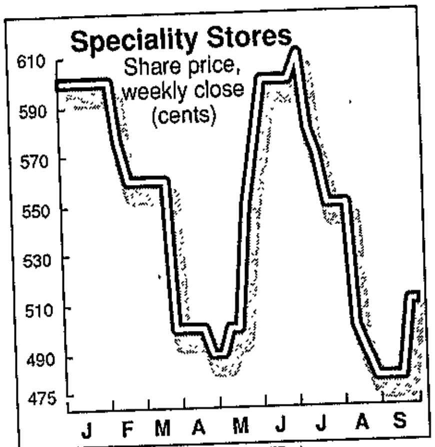
BIDAY 24/9/92 (30)

MARCIA KLEIN

SPECIALTY Stores, holding company for retail chains Milady's, The Hub, Mr Price and Footgear, increased its earnings by 3% to 29,4c (28,6c) a share in the six months to end-August, and is on target to show earnings growth for the full year.

The Durban-based group's turnover rose by 31% to R164,4m from R125,3m in the previous year as all of its divisions gained market share.

However, margins came under pressure "as promotional activity increased and action was taken to successfully clear surplus stocks". Joint MD Laurie Chiappini said there was an enormous amount of price cutting and promotional activity in the group's market, and Specialty had to come in line. This saw operating income rise by only 5% to R12,2m from R11,6m.



Graphic RUBY-GAY MARTIN Source I-NET

The interest bill rose by 53% to R4,1m (R2,7m) on the back of higher inventories and new store growth, with nine stores opened and four closed during the period. This brought pre-tax income down by 9% to R8,1m (R8,9m).

But taxation of R3,3m was 22% lower than the previous year, as that year included the non-deductible loss of the group's UK retail operation, which was closed.

Attributable income increased by 3% to R4,9m (R4,7m), and fully diluted earnings were 2% up at 29,2c a share. The interim dividend was maintained at 10c a share.

Joint MD Stewart Cohen said the results confirmed Specialty's strategy "of clearly positioning our stores and merchandise to meet customer requirements".

He said Specialty would focus on organic growth as there was still "a lot more money to be made inside the business".

Cohen said profits were on budget. Two-thirds of the group's profits were traditionally earned in the second half, so it expected to increase its earnings in the full year.

Storeco, which holds 63,2% of Specialty, maintained its interim earnings of 20,1c a share and its dividend of 20c a share.

Pick 'n Pay results defy the recession

BIDAY 24/9/92 (30)

LINDA ENSOR

CAPE TOWN — The recession bit deep into retailer Pick 'n Pay's turnover and trading income in the six months to end-August, but effective asset management resulted in a 15,4% rise in earnings a share.

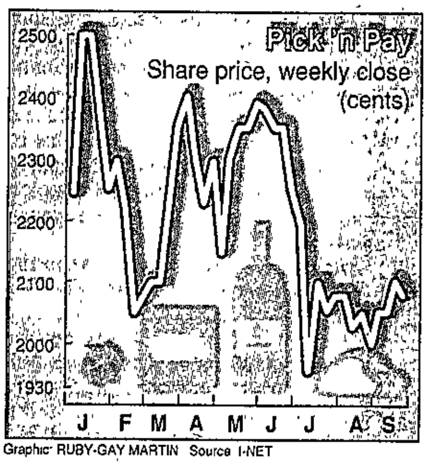
A 16% higher interim dividend of 14,5c (12,5c) was declared on earnings of 46,6c (40,4c) a share. Pick 'n Pay Holdings (Pikwik) declared a dividend of 7,16c a share.

Chairman Raymond Ackerman, when announcing the results, said the group would undertake a two-for-one share split in both Pick 'n Pay and Pikwik during the next few months to make the shares more marketable.

MD Hugh Herman said the recession had been severe but the group had achieved efficiencies through cost control and improved productivity, while shrinkage had dropped to 0,5% as a result of scanning.

Stocks were substantially cut and the number of employees reduced by natural attrition.

He said the key to success in the current economic environment was cost management and the group had been significantly below budget on expenses. The growth in fixed assets was contained while cash resources showed strong growth.



Graphic RUBY-GAY MARTIN Source I-NET

Pick 'n Pay had also gained market share, he said.

Lower operating margins of 1,87% (2%) resulted in the 10% rise in turnover to R3,1bn (R2,8bn) translating into a 2,5% increase in trading income to R57,9m (R56,5m). But financial director Chris Hurst said without the efficiencies achieved, margins would have declined

☐ To Page 2

Pick 'n Pay

BIDAY 24/9/92 (30)

☐ From Page 1

even further on the low rise in turnover because of inflation in expenses.

Net interest received rose sharply to R8,1m compared with the R2,7m last year, largely because of the dramatic reduction in stock and the increase in the time in which suppliers were paid. Accounts payable increased to R626,6m (R585m).

The group's cash resources soared to R163m from the previous interim of R4,6m but were lower than the R191m at the February year-end.

The net interest earned saw pre-tax income rise 15,3% to R67m (R58,1m).

Herman did not anticipate any improvement in the economy in the second half but was confident that Pick 'n Pay would continue with the improvement in earnings.

However, a higher tax rate of about 45% compared with last year's rate of 39% — due to the sale of tax free insurance policies — would have an impact on earnings and it would be difficult to maintain the interim result.

Specialty Stores sees more profit with return to CBDs

STAR 24/9/92.

By Derek Tommey (30)

Business and professional women continued to support the Specialty Stores group in the six months to August, enabling it to maintain profit in the face of tough conditions.

It plans to cater even more for this group of people and intends opening a large number of stores in central business districts, says joint managing director Stewart Cohen.

The group, which comprises Milady's, The Hub, Mr Price and Footgear, increased turnover by 31 percent to R164,4 million and operating income by 5 percent to R12,2 million.

Fierce competition and pressure on margins caused the disparity between turnover and operating income, says Mr Cohen.

Owing to an increased investment in stocks and new stores, the interest burden was heavier than last year, but was offset by a lower tax payment.

Specialty's net income before extraordinary items grew 3 percent from R4,73 million to R4,87 million.

Earnings a share increased from 28,6c to 29,44c and an unchanged dividend of 10c has been declared.

Mr Cohen says the results confirm the group's strategy of positioning stores and merchandise to meet the requirements of customers — mainly better-off working women.

The increase in turnover suggests that the group has gained market share, even if margins have been trimmed.

Mr Cohen says the group is planning to increase the number of its stores in CBD areas where the bulk of its market lies.

Property developers building suburban shopping centres try to get a department store to act an an anchor in order to attract customers to the centre.

But this has led to CBDs being neglected.

However, the biggest proportion of business and professional women work in these areas.

The group has four Milady's and two Hub stores in West Street, Durban, and has plans for a similar development in central Johannesburg.

Today its new Johannesburg Milady's opens in President Street, and a further Milady's is to be opened in the Carlton Centre in part of the premises occupied by Garlicks.

Mr Cohen says the group gets a better return from its stores in the Transvaal and is planning to increase this area's contribution to profits from 40 percent to 60 percent.

The group opened nine new stores and closed four in the six months to August. Plans are in hand for 15 new stores.

Joint managing director Laurie Chiappini says the group is planning to move towards a system of "quick response", which enables its quickly to increase stocks of fast-moving items. This allows it to work with smaller stocks at the start of a season.

About 120 managing directors of the group's suppliers are attending a meeting in Durben next month at which the matter will be discussed.

The group expects increased earnings this year, despite the challenging environment, and a major improvement in earnings when the economy starts to turn up, says Mr Cohen.

Mauritians woo SA clothing retailers

30

PETER DELMAR

MAURITIAN manufacturers are wooing SA clothing retailers and wholesalers.

More than 40 South Africans — believed to include leading clothing retailers — will attend the island's fabric and clothing exhibition, Mitex, next month. BIDAY 24/9/92

Mauritius Export Development and Investment Authority representative in SA Arvind Radhakrishna said about 130 Mauritian suppliers would be exhibiting. He said Mauritian products cost less than a fifth of similar products from Europe or North America.

However, SA retailers said that despite the good quality and very competitive prices of Mauritian products, clothing imports had declined recently because of high duties on imports.

Confidence index lowest since 1985

BIDAY 25/9/92

LINDA ENSOR

CAPE TOWN — Consumers are pessimistic about the short-term general economic outlook, a survey by Stellenbosch University's Bureau for Economic Research (BER) suggests.

"A consumer confidence crisis will delay the expected economic recovery and further deter private consumption expenditure," BER warned, adding that supply side measures and political progress would go a long way to paving the way for sustainable economic growth.

A total of 70% of white consumers surveyed in the third quarter expected a deterioration of conditions. Only 28% anticipated an improvement in the economy in the next 12 months, compared with 45% in the second quarter.

The confidence index for white consumers has fallen significantly to 65 from 79 — its lowest level since the second quarter of 1985.

Even in metropolitan areas, where confidence was previously high, pessimism is on the increase.

"This could be ascribed to an increasing number of whites experiencing unemployment in the formal sector and a great deal of uncertainty concerning the political situation in the country," BER said. Violence, crime and the drought had also diminished confidence.

"The index for black consumer confidence for the third quarter fell to 95 from 107.

The lowest income group was the least optimistic, with an index score of 78 (97 in the second quarter) and the higher income group most optimistic, with an index figure of 104 (125).

The survey also revealed trading was slack and that it was unlikely there would be any real growth in Christmas sales this year.

However, 31% of retailers surveyed expected sales volumes to improve in the fourth quarter, 31% expected lower sales and 38% no change, which could indicate the beginning of a bottoming-out process.

Wholesalers were less optimistic, however, with the net majority expecting lower sales in the fourth quarter compared with last year. While still low, sales expectations in the motor trade heralded a relative improvement, BER said.

Contrary to their expectations, most retailers reported a decline in sales in the third quarter compared with the same period last year.

Fewer orders were placed and orders for the fourth quarter were expected to decline as a result of high stock levels in relation to expected demand.

Contrary also to the expectations of wholesalers, wholesale sales volumes declined in the third quarter, while it appeared unit sales of new passenger car sales would show negative growth this year.

Retrenchments in the retail trade continued in the third quarter, with a net 36% of BER respondents reporting more retrenchments compared with 48% in the second quarter. Employment opportunities in the wholesale sector declined even more severely, with a net majority of 36% reporting a decrease in the number of employees compared with a net 16% in the second quarter.

Business confidence among retailers dropped from 25 to five in the third quarter, with little expectation of an improvement in the fourth quarter.

Confidence of wholesalers also declined while business confidence in the motor trade improved substantially.

The report said it appeared probable the economic upswing would begin only in 1993 and gain momentum towards 1994.

Eskom will rectify 'shocking' bills

30

Sowetan 25/9/92.

By Joshua Raboroko

BIG SHOCK Traders charged tariffs of between R4 000 and R10 000:

ESKOM HAS UNDERTAKEN to rectify the huge electricity bills charged to businesses in Soweto.

This was said by the corporation's sales and customer manager, Mr Paul Mare, at a meeting at the Standard Bank Hall in Jabulani yesterday with members of the Greater Soweto Chamber of Commerce (GSCC), the Soweto Independent Shopkeepers Association (Soinsa), Soweto Civic Association (SCA) and professional people.

Mare was responding to complaints by traders that they had received "shocking electricity bills" ranging from R4 000 to R10 000 although their shops did not have meters.

One businessman asked how the electricity company calculated consumption when many businesses either had faulty meters or none at all.

"How do you come to this conclusion?" the businessman asked.

Businessmen said they felt that they should be included in the Soweto Accord which cancelled arrears for the majority of Soweto residents earlier this year.

Mare said there were 11 service centres where complaints could be made. If any mistakes were found, they were prepared to rectify them.

Eskom would install and repair electricity meters in Soweto and the business community would not be excluded, he said. The corporation would charge small businesses such as spaza shops and others the same tariffs - as low as possible - as residential dwellings. He added that "we are prepared to help the informal sector grow".

"Business people will begin paying a market-related tariff for their electricity, paying accounts which are based on how much electricity you use as measured by your meters," Mare said.

GSCC's executive director, Mr Max Legodi, said they felt concerned about the supply of electricity because in the past they were not consulted.

Soinsa's secretary general, Mr Thami Skenjana, said business people were promised they would pay a flat rate when Eskom took over the supply of electricity in Soweto in April.

Boycott threat to Checkers-Shoprite

B10RM 25/9/92 (30)

DIRK HARTFORD

THE SA Commercial, Catering and Allied Workers' Union (Saccawu) is organising a national consumer boycott of Checkers-Shoprite stores after the entire black work force at Checkers' Heidelberg store was dismissed last week for striking illegally.

The boycott is scheduled to begin on October 1.

Almost 1 000 workers at about 15 Checkers stores in the Transvaal were on strike demanding the reinstatement of the dismissed workers, Saccawu said.

It said Checkers-Shoprite had told the union it was overstaffed by 500 people in the Transvaal and wanted to discuss ways of resolving the problem.

In addition, the company had told Saccawu it wanted to cancel its recognition agreement with the union at the end of this year.

It is possible more stores could come out on strike over the dismissals next week. Saccawu spokesman Norman Moekoena said several stores had already staged illegal stoppages and then returned to work. And the southern Transvaal office of Checkers-Shoprite was occupied by striking workers last week.

There is already a consumer boycott of the Heidelberg store, and Saccawu members are picketing outside the store each day. Marches have been planned on the Heidelberg store and the southern Transvaal office of Checkers-Shoprite next month.

Moekoena said the actions were spontaneous outbursts of worker anger against Checkers' refusal to bargain in good faith with the union.

He said workers at the Heidelberg store went on strike after a worker was dismissed for fighting with a security guard. The union argued that the worker was manhandled by the guard, who allegedly called her a "kaffir".

There have been continuing allegations of racism and AWB activity at the store. In March a shop steward at the store allegedly received death threats from the AWB and eventually resigned his job because he feared for his safety.

Moekoena said the Heidelberg workers were dismissed before some had even arrived at work. He also claimed that workers on leave and maternity leave were among those dismissed.

Checkers' official spokesman was not available for comment last night.

Hostel issue tied to abduction

THE abduction of a National Union of Metalworkers of SA official has been blamed by the union on problems in relocating inmates of the KwaMadala Hostel in the Vaal Triangle. B10RM

But police said yesterday the kidnapper of Numsa Vaal Triangle legal officer Stanley Tyelentombi would appear in court on charges of armed robbery. 25/9/92

Tyelentombi told a news conference in Johannesburg yesterday that on Tuesday he was abducted by people opposed to relocation of the KwaMadala Hostel dwellers to the KwaMasiza Hostel.

An attempt was made to move the mainly Inkatha-supporting hostel dwellers from KwaMadala after the Boipatong massacre in which more than 30 people were killed in an attack apparently launched from the hostel. The removal has been foiled.

Tyelentombi said five youths entered his car opposite the KwaMadala Hostel and forced him at gunpoint to drive to a Boipatong house, where they collected assegais and pangas.

They then drove to a house in Sebokeng where a man, who knew Tyelentombi, accused him of wanting to move KwaMadala residents to the ANC-dominated KwaMasiza Hostel where they would be killed.

The man then instructed the youths to put Tyelentombi in the boot of the car and drive him to the leadership of KwaMadala, after which he would be killed, Tyelentombi claimed.

The Numsa official managed to escape on the way to the hostel. Police later found his car and arrested one of the five youths, Tyelentombi said.

Capt Piet van Deventer confirmed the incident, saying the suspect would appear in the Vanderbijlpark Regional Court today on charges of armed robbery.

Numsa spokesman Alfred Woodington said the relocation of the KwaMadala inmates had to be addressed by all parties in the Vaal Triangle who were signatories to the national peace accord. — Sapa.

PEANUTS By Charles Schulz

FM 25/9/92 (30)

McCARTHY/PREFHOLD

FM 25/9/92 (30)

Merger benefits still hazy

With year-end results from the two groups through and terms of the proposed merger revised, the future combined structure is a bit clearer. What seems to emerge is that, at operational level, the merger is not a natural fit, with limited potential synergies.

The big possible benefit is on the financial side, with Prefhold, well into an extensive expansion programme, picking up the critical mass it needs from McCarthy's balance sheet and assets to keep growing.

In turn, McCarthy, facing a mature industry with dull prospects, may have found the right vehicle to diversify into areas offering real growth opportunities.

But much will depend on the respective groups maintaining their quality of management, not least to convince a still sceptical market that the merger has long-term benefits for investors.

Considering the flat new vehicle market and cyclical consumer spending-based furniture market, results from both are relatively good. Prefhold is only 5,9c off the 108,8c a share earnings forecast at the listing a year ago and met the 30c dividend forecast (there are no comparative figures as this is its first year of trading).

The establishment of Firstpref nearly two years ago, a joint venture with FNB, which carries the HP book, was a creative financial move by chairman Terry Rosenberg which offsets Prefhold's risk should bad debts increase alarmingly. The group is also introducing a card financing scheme with Standard Bank, without recourse to Prefhold, and has created a short-term insurance company which Rosenberg says offers a new area of business strongly allied to core activities.

Though McCarthy (whose EPS are 15% down at 50,9c) nudged up its market share of new vehicle sales, it could benefit from similar financial packages, especially in the growing used vehicle market.

A long-term view remains a bit hazy, but Prefhold does have experience in the mass retail market which could benefit McCarthy, if not directly through sales then at least in helping to formulate marketing strategy and credit assessment. With combined turnover of R4,3bn and shareholders' equity of about R1bn, Rosenberg, as CE of the new group, will have the weight to expand the core business and explore new areas.

The revised offer has not changed much from the original. Rosenberg and Brian McCarthy, who will chair the new group, say it is based solely on respective results.

McCarthy will offer to acquire 80% (previously 75%) of Prefcor ordinary and convertible debenture holdings for corresponding units in McCarthy. Ordinaries will be on the basis of 75 (previously 80) per 100 Prefhold and debentures one-for-one. McCarthy debentures will be convertible at 75 (previously 80) ords for 100 debentures.

McCarthy will then sell its assets to Prefhold for shares worth about R374m, becoming a pyramid. Prefhold will become the operating company holding the separate businesses as well as 36% of Midas.

The pyramid structure will allow Prefhold to make acquisitions for paper, without control being threatened. Constructing the deal this way suggests acquisitions may be forthcoming.

Benefits to shareholders will not be drastic. Prefhold minorities are probably getting more value, partly because the share, at half the 500c listing price, has not performed well and the association with McCarthy should attract a higher rating.

McCarthy shareholders will now have an interest in a well-managed group which appears to have growth opportunities, at least in more than the stagnant vehicle market.

Prospective investors may find it hard to decide at which level to invest. Analysts believe most market activity will initially be in McCarthy, at least until Prefcor makes an acquisition for shares. But with McCarthy seeking a transfer to the retail sector, respective ratings may be the best guide.

Investors will be reluctant to rush in, with both share prices having dropped since the merger was announced in June. But they have bumped up slightly since the results were released, which may indicate that they have bottomed. In the end, it probably depends on the faith an investor has in the management of the merged group, which is clearly aiming at the still uncharted mass retail market of the future. *Shaun Harris*

RENT ESCALATIONS FM 25/9/92

Juggling the options

(30)

In an oversupplied office market the need for rent escalations is being questioned. It has even been suggested that they are just another form of bureaucratic price-fixing. Annual, fixed rental hikes do not exist in the UK though a few large retailers are on annual turnover deals.

FM research shows that escalations are one reason why developers continue to build in bad times when rents — if they reflected true demand and supply — would remain static or decline.

Why should property need an inbuilt growth factor when other forms of investment — like equities — rely purely on the market to determine their performance?

JHI valuations director Ian Haigh says that in the UK leases normally run for 25 years with rents usually fixed for five years. They are then reviewed but never decreased. UK tenants feel, like their SA counterparts, that they are not benefiting from soft markets as much as they should. The best they can achieve is static rents, a controversial issue particularly now that the City has a 20% vacancy factor.

Of SA, Haigh says: "In times of oversupply, it is possible that tenants will be paying higher rents per square metre than those negotiated with new arrivals in the same buildings. This is a factor of the market and could work equally well in reverse in a rising economy, especially for lessees who signed long leases at lower escalation rates."

Real Estate Surveys MD Erwin Rode says: "The purpose of fixed rental escalations is to compensate the landlord for inflation in between rental reviews, which can be anything from three to 20 years. The permutations are infinite and depend on the specific lease.

"From time to time, someone will jump up at a conference and say: 'But if inflation is running at 15%, the landlord must be losing out.' This is not the case. You must look at the landlord's total return — that is income yield, say 10%, plus long-term growth in net income, a proxy for which is the rental escalation for leasebacks at 11% to 12% at present. Escalations in headleases are always slightly lower by between a half to one percentage point."

Rode adds: "The total hoped-for return to the landlord is on average 10% income yield plus 12% capital escalation, which makes for an annual 20%-plus return. This more than covers the inflation rate."

In soft markets the landlord could grant a two-year escalation free period but, to make up what he will lose on projected income, he will pitch the initial rent higher, say at R22/m² rather than R20/m². Normally, lower initial rentals rather than lower escalations are the norm in this kind of market.

Rode says, however: "If a tenant wants to get discounts on both rents and rental escalations, there is nothing to stop him. It's a free market."

What really counts — as far as the tenant is concerned — is the present (discounted) value of the rent over the lease period as a yardstick for comparing offers, Rode believes. How it is made up is less important.

Rode rebuts the claim that there is price-fixing: "The market is murderous. Overseas rental escalations may be negligible compared to ours, but they exist. They're much lower because their inflation rates are lower. New Zealand's inflation rate is 0%."

Perhaps the ball is now in the tenant's court not to accept willy-nilly prescribed escalation rates. The market should determine what is fair. Tenants, however, should not expect much relief from negotiations on escalating operating expenses — over which landlords have little control. As for differences between the UK and SA, it seems the UK's longer leases have evolved as a result of a more stable political and economic climate. Our turbulent times are reflected in lease structures. ■

TIME PROPERTIES

Assessing exposure

The Time Holdings division Time Properties (TimeProp) can breathe a little easier. It has let 85% of the 13 100 m² Oxford Manor in Rudd Road, Illovo, to Rand Coal; its headlease commitment to the owner, Durban Corporation, runs for 15 years at average rents of R25/m².

The building, completed in May, stood largely empty for four months. As a result, TimeProp has been severely criticised by other market players — but says it was in no position to respond because of the vacancies.

While it believes the recent letting to Rand Coal may silence its critics, its future strategy to limit exposure seems to vindicate market talk.

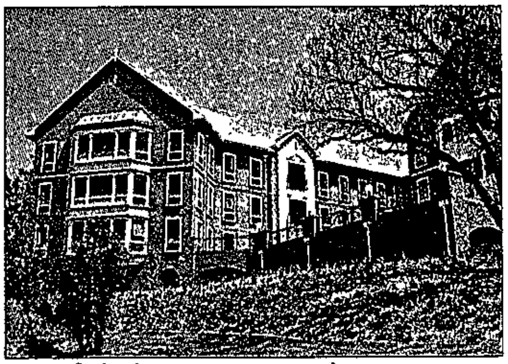
TimeProp MD Mike Raggett says that though headleases are still profitable for developers, he will not take on any new rental guarantees in future projects. The size of projects will also be limited to between 1 500 m² and 2 000 m² and to tenant-driven situations — until the market picks up. The developer will also look at smaller industrial schemes.

This stance is unlikely to affect future business emanating from Durban Corporation because the chances are that there will be no more business coming from this source. The Durban Corporation is under increasing pressure to discontinue investing in commercial ventures, especially outside its home turf.

TimeProp has developed, and now manages, eight buildings valued at R140m. Durban Corporation owns three, valued at R90m: Oxford Manor; 19 Girton Road, Parktown; and Future Bank House, De Korte Street, Braamfontein. The latter two are fully let and headleased like Oxford Manor for 15 years, starting from 1989 in the case of Girton Road, and 1991 for Future Bank House.

The balance of the portfolio under management includes the following buildings valued at roughly R50m:

- ☐ Three fully let Wierda Valley office buildings on which TimeProp has rental guarantees running between two and three years. They are Lynton Hall, owned by Highstone Property Trust (rental guarantee has 18 months to run), McCarthy House owned by a syndicate and the Time Group HQ at 47 Wierda Valley Road, owned by Hyprop;
- ☐ 158 Jan Smuts Avenue owned by Sanlam Properties. Raggett says this building represents very little exposure for TimeProp as the retail rental profit from the virtually fully let retail component (100 m² remains to be filled) covers its top-up rental commitment to the 13 000 m² of unlet office space;
- ☐ A retail shopping centre called Darras Centre in Kensington, owned by a syndicate, with no rental guarantees; and
- ☐ A combined R20m office and parking development called Standard Bank Chambers on the corner of Kruis and President streets in the Johannesburg CBD, owned by the Sefalana Employee Benefits Organisation. The building is due for completion in October, at which time a three-year rental guarantee kicks in. Most of the 2 500 m² of office space will be taken up by United Bank. Negotiations are under way with the Witwatersrand Bar Council for the balance. ■



Oxford manor ... *caused some sleepless nights*

FM 25/9/92

~~244~~ 30

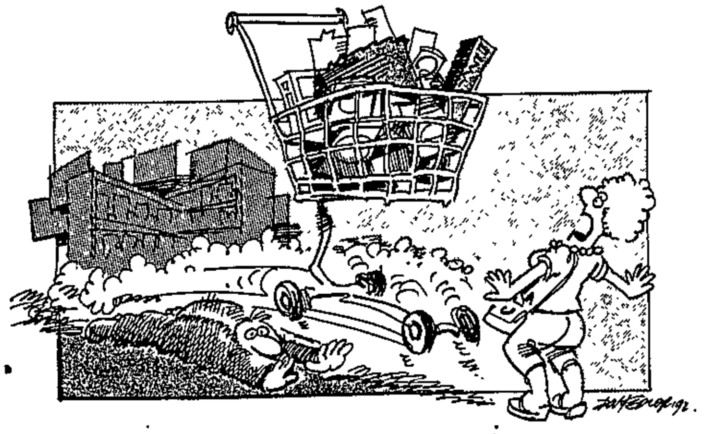
FOOD PRICES

Supermarkets under the spotlight

The long search for the culprits responsible for rampant food-price inflation has focused on the supermarket chains. Nobody is letting the other villains — VAT, the drought, the producers, the control boards — off the hook. But the supermarkets' usual arguments to demonstrate their innocence — their narrow profit margins and the strong competition between chains — are under the spotlight.

The big chains often cite their roughly 2,5% net profit margins as proof that they are not responsible for soaring food prices. But Johannesburg-based management consultant Bernard Janisch says their gross retail margins are far higher.

He bases his assessment on figures obtained from suppliers, who know at what prices their goods are delivered at the supermarket back doors — and at what prices they appear on the shelves.



"Gross profit margins often exceed 50%," he claims. "Retail chains maintain adversarial relationships with their suppliers, forcing huge pay-offs by suppliers in the form of confidential discounts and rebates to obtain shelf exposure."

As retailers merely pass on their costs to consumers in the form of "computerised price increases" to maintain profit margins, sales volumes are dropping, he says. "By their nature, supermarkets should focus on cutting costs and, thereby, increasing turnover and profit margins. But they use their power to enforce rebates and discounts on the one hand while continuously increasing prices on the other."

Janisch accuses the chains of not trying hard enough to stop the shrinkage taking place in the stores and at the back door. And he says their inability to effectively tighten

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FM 25/9/92

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the distribution chain has added to retailers' costs.

"Retailers don't make serious attempts to cut down on the massive wasted costs. These include breakdowns in the cold chain, breakages, huge escalations in transport and labour costs and shrinkage — truck queues at supermarket back doors create a fertile environment for hatching shrinkage plans." He adds that retailers don't take these cost issues seriously because they have a strong hold over suppliers.

"Supermarkets are, therefore, major culprits in aggravating the food price spiral as they, too easily, pass on costs to consumers without trying hard enough to increase productivity."

Janisch sometimes acts as consultant to suppliers and producers, so he may have some bias, but his condemnation of the supermarkets is supported by the Consumer Council and by a recent study by the National Productivity Institute.

Council director Jan Cronje says the 2,5% net profit figure used by some retailers as evidence of their fight against inflation "makes no sense" in the light of the 30% annual increases for food in the consumer price index.

The institute, in a study covering the past five years, found that the Tiger Oats food manufacturing giant absorbed most of the inflation on the input side.

The gap between producer and consumer food prices, compiled by Central Statistical Service, seems to support the institute's study and apparently points to the retailers as the main source of food inflation. The rise in food CPI for July was 30,4% year-on-year, while food PPI increases at manufacturing level that month measured a mere 9,1% — having absorbed a large part of the 20,6% food PPI rise at farming level.

The R28bn-a-year grocery retail sector, finding itself in the dock over soaring food prices, defends itself strongly.

Pick 'n Pay MD Hugh Herman says his company uses confidential discounts just as chains in the US and the UK do. But he denies Janisch's 50% gross profit margin figure and says it is "20% and below; in the UK, big chains gross about 30%, while their net margins can range from 6% to 8%." He adds that retailers are always trying to improve productivity in distribution and that Pick 'n Pay is holding talks with suppliers.

But Grocery Manufacturers Association chairman Jeremy Hele says there is huge scope to smooth out the distribution chain between suppliers and retailers. ■

Retail sales deteriorate (30)

THE Bureau for Economic Research survey at Stellenbosch University found most retailers polled said sales declined in the third quarter compared to the third quarter of last year. Most disappointing sales volumes were recorded in durable goods, eg fridges, while higher sales of ladies' clothing helped sales of semi-durables. Retailers of men's clothing and footwear continued to see tough trading.

Bus Day 1/10/92

Pick 'n Pay to spend millions on expansion programme

Confidence booster

(30) ARG 26/9/92

■ Supermarket giant Pick 'n Pay has shown its confidence in the country's future by embarking on a multi-million-rand expansion programme for its stores and retail outlets throughout South Africa.

TOM HOOD, Business Editor

WHILE politicians and economists worry about the future, the chiefs of the Pick 'n Pay retail empire have decided to go ahead and spend millions of rands on one of their biggest store expansion programmes.

Eight supermarkets will cost R30 million to equip, R5 million will be spent on a major renovation of the Brackenfell hypermarket while millions more will go into new Boardsman's (housewares), Pantry (small supermarket), and Chain Reaction (clothing) stores and Tyger Valley supermarket.

"We would not be spending this money unless we had confidence in the future of the country," said chairman Raymond Ackerman in an interview this week.

"After the tragedies of Biopatong and Bisho, I feel the politicians are finally coming to their senses and going back to negotiations. The news is encouraging the statesman-like remarks coming from political leaders are what the country needs.

"South Africa has so much going for it. We have a critical time ahead to get negotiations going to get an interim government in place and to show our people and to the world that we can live togethert and sort out a satisfactory democratic society,

"I remain confident of the future of this country and of the future of our company within it."

Already this year, the group opened a large supermarket and a Boardman's store in Midrand in the Transvaal. An East London supermarket was also expanded and modernised.

Projects going ahead include two Pantry stores at the Waterfront in Cape Town and in Bloemfontein, a Boarsdman's store in Pretoria, a third Chain Reaction store in the Tyger Valley Centre and renovations and expansions of Pick 'n Pay stores in Geirge, Witbank and Newton Park, Port Elizabeth.

The imposition of VAT last year on basic foods as well as the drought and tough economy had an effect on inflation and people's spending, Mr Ackerman said.

This, combined with tough competition, made a big impact on profits for the half-year to August 31.

P & P managed to raise its turnover by R280 million ("a slightly disappointing 10 percent increase") to R3 096 million. But operating profit edged up by only R1,4 million (2,4 percent) to R57,9 million.

Profit margins shrank to a mere 1,86 percent from 2 percent a year ago and 2,2 percent before that.

This meant every R100 of sales generated a profit of only R1,86 — out of which tax (R30 million) and dividends (R11,3 million) had to be paid.

Eight days when small guy is tops

City Press 27/9/92

By ZB MOLEFE (30)

NEXT Saturday will mark an unusual day in South Africa's business calendar when big and small business meet in a show of co-operation to mark the launch of the annual Small Business Week.

The national launch of the eight-day event, now in its fifth year, kicks off at Johannesburg's Bruma Lake fleamarket in a six-hour carnival atmosphere which will emphasise the nationwide event's aim of advancing the concept of "entrepreneurship and small business as an effective route to achieving both a healthy economy and individual prosperity".

Another big event will be on the following day – Sunday, October 4 – when a three-day conference will be held at Sun City.

Six regional committees and a national co-ordinating committee – made up of the Small Business Development Corporation (SBDC) and small and big businesses – will host and supervise over 100 events countrywide during the week.

Highlight of the Small Business Week will be a one-day skills' development seminar at Johannesburg's Milpark Holiday Inn on Thursday, October 8, which will be led by some of the country's prominent business personalities.

"There are nearly six million unemployed people in South Africa and the number is increasing," organisers of the seminar pointed out. "The one way of reducing the existing unemployment level is to stimulate the creation of small and medium-sized enterprises."

Southern Transvaal committee chairman Mandi Maepa said committee members were selected from various small and big businesses. This explains why the business week was mainly a small and big business effort and not a SBDC event, she pointed out.

"The Business Week generates awareness of the importance of small business. It also aims to increase the level of awareness of small business in our communities, and at the same time to show the good small business can do to our economy, wealth and job creation."

Maepa said the Small Business Week was organised and managed by key players in the development of small business in SA who are represented in the regional and national co-ordinating committees.

These include well-known organisations in the SA business scene like Anglo American, SA Bank of Athens, SA Franchise Association, SA Builders' Association, *Enterprise* magazine and sewing machine company Elna.

Maepa said this year's Small Business Week had specific targets to achieve.

One of these was to involve more than 100 institutions and companies nationwide.

She wanted to encourage them to involve their branch networks.

■ See "People's Diary" (this page) for Small Business Week events in your area.

Gambling plan to raise millions

S/Times (BUSS) 27/9/92

27/9/92

By CHERILYN IRETON

A PLAN that would generate millions of rands for the Government and end Sun International's gambling monopoly will be presented tomorrow.

It is a last-ditch attempt to change the official stance on legalised gaming.

The proposal offers the cash-strapped authorities a way of collecting about R20-million from gambling licences and hundreds of millions more through VAT charged on casinos' gross winnings and increased company taxes.

The plan will be presented to the Select Committee on Justice by Karos chairman Selwin Hurwitz when it sits for the last time in Pretoria.

The meeting will consider changes to the Gambling Act to be put to Parliament at its special sitting in October.

Rooms

Mr Hurwitz is tired of "selective morality on gambling issues". He says the Government must look beyond the inevitable reincorporation of the TVBC states in South Africa.

It should avoid introducing hasty legislation that would entrench Sun International's casino monopoly. He says the monopoly has had a crippling effect on the domestic hotel trade in the past 15 years.

Mr Hurwitz proposes that only four- and five-star hotels — with a minimum of 100 rooms — be granted casino licences.

This would put an end to the estimated 1 000 small suburban-type casinos that have sprung up. It would open gaming to hotel operators other than Sun International.

It would provide the State with additional revenue.

Mr Hurwitz says suburban gaming halls are not paying licence fees or VAT. Tax payments by Sun International to Bophuthatswana are heavily diluted by allowances for capital expenditure projects such as the R800-million Lost City project, maintaining the indirect burden for revenue on SA taxpayers.

If hotels' income increases as a result of gaming, so would their corporate tax contributions.

There are 41 four- and five-star hotels in SA spread among private groups and individuals. Mr Hurwitz suggests that those who want gaming licences pay R500 000 for the initial one and thereafter high annual renewal fees.

"Government has to level the playing fields. It must on the one hand eliminate the small non-hotel operators who have no basis for continued existence and hold no benefits for the tourism industry and on the other hand it must end Sun International's monopoly."

Mr Hurwitz claims that Sun International's profit of R200-million in the year to June 1992, earned mostly from homeland operations, is more than the entire South African hotel trade earned in the same time.

Open

"Casinos are an integral part of the hotel industry. If we want a tourism industry then we have to ensure that gambling operates in an open but regulated manner."

Mr Hurwitz says a minimum of 100 rooms as a prerequisite for a licence would eliminate the building of small predominantly gaming hotels.

Three-star hotels would be encouraged to upgrade their facilities. That would help to meet the expected boom of high-quality tourists prepared to spend money.

Existing controls in the hotel trade, such as the liquor and hotel boards, would be sufficient to regulate gaming which would be restricted to people over the age of 18.

President De Klerk's statement that hard gambling will not be tolerated has given hoteliers little hope that they will be able to enter the gaming business.

Mr De Klerk says he has no doubt that gambling in the homelands will continue — whether or not they are reincorporated.

If the Gambling Amendment Bill goes through as is, it will outlaw casinos not in the homelands and will close the loophole that allowed games of "skill" to flourish. The Bill was tabled in Parliament this year, but was not passed because of strong opposition.

Mr Hurwitz urges the Government to consider the gambling issue responsibly by appointing a properly constituted commission or by extending the brief of the new commission under the chairmanship of Mr Justice Howard.

Car prices up 3%

S/Times (BUSS) 27/9/92

By DON ROBERTSON

(30)

CAR manufacturers will raise prices by about 3% this week. The increases will be lower than expected. They will take the increase in car prices for the year to between 11% and 12%.

This is the fourth round of increases for most manufacturers, all of which are concerned about the rising cost of vehicles.

At a maximum of about 14%, the increases are well below forecasts earlier this year when some manufacturers feared they would exceed the inflation rate. Last year, average price rises for cars were 18%.

Car sales this year are now expected to reach only 177 000, the lowest since 1977. This compares with projections at the beginning of the year of as high as 208 000 and last year's sales of 197 700. Light commercial sales are now expected to be 90 500 compared with the forecast of 104 500. Sales in 1991 numbered 100 400.

The industry estimates that about 85% of new cars are bought by the corporate sector and fleet companies. The affordability problem for the private motorist has become a significant factor and most manufacturers are compelled to price competitively.

In the small-car market, the price of the Fiat Uno has risen by 8% this year, the Mazda 323 and Toyota Corolla by 6%.

A small car cost 65% of the average family income in 1961. This rose to 90,2% in 1986 and to 96,5% last year.

Market leader Toyota will maintain prices until November 1 and then any increase is likely to be small.

Price rises to date have been kept at 9,2% throughout the range. The cost of top-selling Corolla has risen about 6%. The price rise for the year on this model will probably be kept to 9%. The overall increase should be about 12%.

Nissan has held price rises to 6,4% on average so far.

BMW has lifted prices by between 2,3% and 3% each quarter.

Pep to sell Ackermans to Pepkor

JONO WATERS (30)

PEP will announce today plans to dispose of clothing, footwear and household textile chain Ackermans to parent company Pepkor for R85,5m.

A company statement said the disposal — which is subject to approval by shareholders at Pep's annual meeting next month — would be effective from March 1 this year when Pep's earnings a share were calculated to be 43,04c. The statement said the disposal would have no effect on Pep's dividends. BIDay 28/9/92

Pep acquired Ackermans from Edgars in 1984 and placed it at the lower end of the clothing retail market, where Pep was positioned.

The decision taken by Pep and Ackermans to reposition Ackermans in metropolitan areas as a group of stores "providing good quality, good value clothing," meant the chain would be more in line with customer requirements in those areas. Pep stores and Ackermans would now have distinctive identities, the statement said.

Shareholders were cautioned on September 17 that a process of restructuring within the group in respect of the Ackermans chain was taking place. Ackermans has 124 stores and employs 1 800 people.

McCarthy lowers sights

Finance staff STAR 29/9/92 (30) (BC)

With little evidence to suggest that an upturn is imminent, the McCarthy group has budgeted for a further decline in the new vehicle market this year.

However, stringent control of the expense structure is expected to ensure that earnings are maintained at the same level as last year.

This forecast is made by chairman Brian McCarthy in his statement to shareholders.

Last year, McCarthy posted earnings of 50,9c a share, against 59,8c previously.

Were it not for a prior-year under-provision for tax of R6,5 million (equivalent to 7,5c a share), earnings last year would have been very close to those of the previous year.

Mr McCarthy says should the merger with Prefcor Holdings get the nod from shareholders next month, budgeted consolidated earnings will show a significant increase.

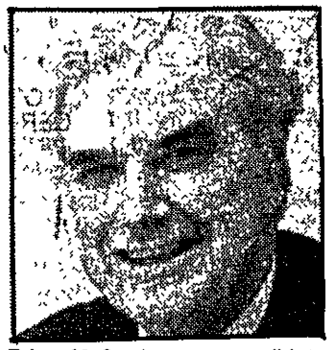
In the 12 months to June 30 — its first year on the JSE — Prefcor Holdings came up with attributable earnings of R40,1 million (equivalent to 102,9c a share), which was only five percent short of prospectus forecast. This was despite a sharp downturn in national consumer spending.

Reviewing a year in which McCarthy's turnover broke through the R3 billion level and its share of the total national dealer market for new vehicles reached a record 13,7 percent — equivalent to one in seven new vehicles sold countrywide — Mr McCarthy says:

"Vehicle trading margins within McCarthy Motor Holdings — the holding company of the group's motor franchise operation — were under pressure, particularly in the second half of the year, and the group did well to hold its gross profit percentage at the same level as the previous year.

"An encouraging aspect of the accounts of our motor operations was that for the third successive year the service division achieved real growth. This was the only division in the business to do so."

He says it is a reflection of the emphasis the group has placed on its customer-commitment programme over the past five years.



Brian McCarthy . . . consolidated earnings will show a significant increase

A total of R72 million was spent during the year on acquisitions, which included Beachway Motors (a Volkswagen dealership in Durban), two Toyota dealerships in the UK, Hendersons (a Toyota and MAN heavy truck dealership in Maritzburg), Autohaus (a Volkswagen dealership in Middelburg), and a Nissan dealership in Umhlanga Rocks.

Turning to the group's non-retail motor interests, Mr McCarthy says the Yamaha division achieved commendable results and remained the market leader in its three primary sectors — motorcycles, outboard engines and power products.

The Yamaha sports goods franchise is also making good progress and its products — particularly golf clubs and tennis rackets — are now well accepted in the market.

Midas, in which the group holds a 36 percent interest, increased its market share, with the number of franchisees growing from 217 to 247.

Mr McCarthy says interest-bearing debt as a percentage of equity remains satisfactory at 35 percent, which leaves the group reasonable capacity to fund growth and investments.

Management is fully aware of the importance of cash flow control. Throughout the year the increase in debtors and stock was generally contained below the rate of inflation.

Bergers gets battered in fierce retail battle

(30)

BDay 29/9/92

LINDA ENSOR

CAPE TOWN — Interim earnings of Bergers Trading Holdings fell 60% to 1,2c a share (3c) in the six months to end-June because of stagnant turnover.

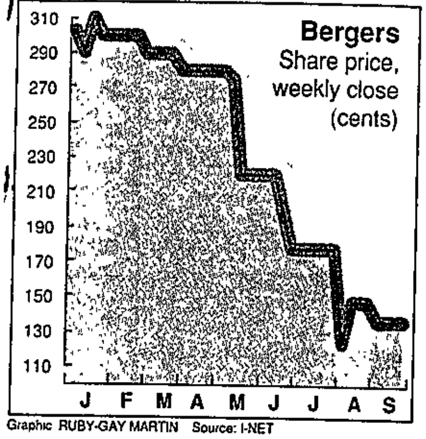
The poor results were compounded by a dramatic drop in margins brought about by the fierce battle among retail chains to maintain market share in a recessionary environment.

The Bergers and Jones chains, which are more exposed to the black market, were particularly affected by high unemployment, consumer boycotts and mass action. The more upmarket Hilton Weiner traded satisfactorily.

Chairman Howard Mauerberger said trading conditions for the 27 (26) weeks were the worst in the group's history.

Turnover slipped to R70,2m (R70,8m), but with margins plunging to 2,1% (5,5%) operating income fell 62% to R1,5m (R3,9m). Pyramid holding company Bergers Group notched earnings a share of 4,7c (12c).

An extraordinary item of R524 000 was incurred in closing and relocating the Jones head office to Cape Town, a move which also involved retrenchment costs. Mauerberger said the rationalisation was expected to save the group about R2m in overheads, but added that the full benefit of this would only flow through in 1993.



Graphic RUBY-GAY MARTIN Source: I-NET

During the six months two Jones stores, one Hilton Weiner and two Bergers stores in Malawi were opened. Mauerberger said five stores of Hilton Weiner Basics, the newly launched chain which is less exclusive than Hilton Weiner, would be opened between now and the end of the year.

He was reluctant to make forecasts saying that the adverse trading conditions were expected to continue for the rest of the year.

Mauerberger said the negotiations referred to in a cautionary announcement some time ago were still continuing. It is believed the negotiations involve selling a minority stake to an outside party.

NKP restructures as income plunges

BDAY 29/9/92

PETER GALLI

NEW Kleinfontein Properties posted a 34,1% drop in attributable income before extraordinary items to R2,3m in the year to end-June from R3,5m in the comparable period last year.

NKP chairman John Mackenzie said the deepening economic recession and an uncertain political climate had ended the group's growth pattern of the past five years.

MD Grant Fischer said although the results were disappointing, they were not unexpected as extended recessionary conditions inevitably affected the performance of property development companies.

Turnover fell by 17% to R7,3m from R8,8m, while operating income dropped 31,2% to R4,1m (R6m).

An extraordinary item of R1,87m due to a write-down of the book value of its Ergo shares saw net attributable profit plunge 91% to R436 000 (R4,7m). As a result, earnings a share were 34,3% lower at 114,5c (174,5c) but the dividend was maintained at 62c. Accordingly, the dividend cover eased to 1,9 times from 2,8 times.

"The extent of the reduction in earnings was greater than what the 17% decline in turnover suggests as increases in development costs reduced the gross profit margin.

"While the short-term prospects for the property market are not good, the restructure announced yesterday will go a long way to alleviate NKP's volatility in earnings," Fischer said.

Under a scheme of arrangement, NKP will convert to a property loan stock company and has acquired a decentralised property portfolio worth R101,6m.

McCarthy plans to maintain earnings

30

EDWARD WEST

MCCARTHY group planned to maintain earnings at last year's level by stringent cost control measures in spite of the decline forecast in the vehicle market this year, chairman Brian McCarthy said in his annual review. BDAY 29/9/92

He pointed out that should the R4,5bn McCarthy merger with Prefcor Holdings get the go-ahead from shareholders next month, budgeted consolidated earnings should increase significantly.

Reviewing the year to end-June 1992, in which McCarthy Group sold one in seven of new vehicles sold countrywide, McCarthy said vehicle trading margins were under pressure, particularly in the second half. The group service division was the only division to achieve real growth, he added.

During the year R72m was spent in acquiring the Durban-based Volkswagen dealership Beachway Motors, two Toyota dealerships in the UK, a Toyota and MAN heavy truck dealership in Maritzburg, a Volkwagen dealership in Middleburg and a Nissan dealership in Umhlanga Rocks.

Referring to the group's non-retail motor interests, he said the Yamaha division remained the market leader in its motorcycle, outboard engine and power products sectors.

Midas, in which the group held a 36% interest, increased its market share.

Bertrad feeling the pinch

Finance staff (30)

Adverse trading conditions took their toll on Bergers Trading Holdings (Bertrad) in the six months to June, with interim earnings a share dropping 60 percent to 1,2c from 3c.

Turnover from the Bergers, Hilton Weiner and Jones clothing chains for the 27 weeks, compared with 26 in 1991, declined to R70,2 million (R70,8 million).

After tax and minority interests of R458 000 (R1,2 million), attributable income was R1 million (R2,5 million) before an extraordinary item of R524 000 relating to the cost of relocating the Jones head office from Johannesburg to Cape Town and the resultant retrenchment costs.

Chairman Howard Mauerberger says trading conditions for the half-year were the worst in the company's history.

STAR 29/9/92

House prices rally in cheaper suburbs

(30) LINDA ENSOR

CAPE TOWN — House prices in lower-priced suburbs were rallying strongly on a national basis, though weaker growth had been experienced in the upper end of the housing market, says the Rode report on the SA property market in the second quarter.

"Latest indications are that lower-priced suburbs are growing at about 28% on a year earlier, middle-class suburbs at about 16% and upper-class houses at 4%. House prices, in particular the lower and middle priced suburbs, are happily outperforming the inflation rate."

However, strong regional differences exist, with the largest improvement shown by Port Elizabeth.

An average increase in house prices of all classes of 11% this year and 12% next year was forecast, with rental rises for flats predicted at 17,9% and 17,4%. In some areas there had been a small increase in apartment vacancies.

B/DAY 30/9/92

Residential prices and rentals were showing greater resilience in the face of the recession than nominal rents of non-residential properties, which had stagnated.

Negative or zero growth in office rentals was forecast for 1992 and a 10% growth in prime CBD office rentals in Johannesburg, 17% in Sandton, 7% for Pretoria, 4% for Durban and -7% for Cape Town in 1993.

Most nodes had more than 8% of their A-grade office space empty and some much more. Take-up of combined A, B and C office space for the Johannesburg CBD was expected to be negative in 1992 and 1993.

Pretoria still had high office vacancies, while A and B vacancies in the Cape Town CBD had increased steadily. Pretoria rentals were expected to lose more ground, while Cape Town and Durban would continue to suffer the aftermath of "building binges".

Retail rentals had continued to plummet, while most centres were struggling to equal mid-1991 levels of industrial rents. No change was forecast for the next 18 months. Industrial vacancies were rising.

In the industrial market, the central Witwatersrand was holding on in nominal terms but there had been a decline in the rest of the Witwatersrand.

Rode forecast an average 5% increase in industrial rents on the central Reef this year, rising to 14% next year.

Building costs were expected to rise 6% this year and 13% next year.

Revealing food figures out today

HILARY GUSH

CLUES to the identities of the culprits behind rocketing food inflation, which reached a record 30,4% in the year to July, will be disclosed today with the release of the August CPI.

Food inflation — the bugbear preventing a fall in headline inflation — will come under the spotlight as a detailed breakdown of monthly food price increases since May is included in the latest consumer inflation figures.

30/9/92

Central Statistical Service head Treurnicht du Toit said yesterday the data would be released in two tables, one applicable to large food chain retailers — defined as having at least 15 branches — and another spelling out food inflation at smaller retail food outlets.

Each table would be further broken down to include percentage changes in the prices of both processed and unprocessed food and price fluctuations in the 10 food group categories.

Du Toit said for "technical reasons" data was not available before May, but the figures would give a "good" indication of annual rates of food price increases.

"The assumption is that the experience of the three months to August will continue for the next nine months," he said.

Du Toit hoped the data would adequately meet the needs of the Food Logistics Forum which had called for the breakdown of food inflation in the various retail outlets.

Acquisitions pay off for Urquhart

EDWARD WEST

URQUHART Motor Group's turnover improved by nearly a fifth over the previous year, largely due to two acquisitions, but the increase was not reflected in operating profit because of restructuring and the drought. B/DAY

Turnover for year end June 1992 increased to R279,3m from R234,8m but operating income dropped a tenth to R5,27m. Two acquisitions in the western Cape, Tygerberg BMW and Ferndale Delta, boosted turnover.

However, the increase was not reflected in operating income because acquired businesses were restructured and rural dealerships in the western Transvaal and northern Natal were affected by drought. Introduction of a cost cutting exercise also affected profit.

In September 1991 the group restructured to introduce financial gearing. The restructuring saw R24,1m being repaid to shareholders as a special dividend, while motor dealership properties were purchased for R13,1m. 30/9/92

The properties were funded through borrowings and the impact on the income statement was reflected in the interest payment of R2,46m (R66 000). Borrowings increased to R16,3m from R10,6m.

Earnings a share on a fully diluted basis fell to 14,7c compared with an ungeared amount of 30,5c in 1991. Final dividends of 6c and 12c a share were declared on ordinary and preferred ordinary shares respectively.

Directors reported that the motor industry had been hit by falling car and commerical vehicle sales, declining margins and the consumer trend to buy down.

NEWS Residents call for flat rate of R50 for electricity charges in Daveyton and Wattville

Consumer boycott launched

(30)

Sowetan 30/9/92

■ ACTION Benoni forced to address residents:

By Isaac Moledi

RESIDENTS of Daveyton and Wattville this week decided to launch a three-month consumer boycott of all businesses in Benoni from October 1.

It was also resolved that residents of the two townships would pay a flat rate of R50 a month for electricity and refuse collection. Eskom uses meters for electricity.

Thousands of people from both townships marched to the Benoni Town Council offices on Monday to get a response from the municipality to grievances of residents.

They demanded a single municipality for the area and the scrapping of the councils in both black townships.

The march was decided on at a mass meeting held on Sunday and organised by the Daveyton Interim Committee and Wattville Concerned Residents Committee.

The chairman of the Daveyton Interim Committee, Mr James Ngubo, said residents had no choice but a consumer boycott.

In a written reply to the memoranda presented to the town council on September 3 and 18, Benoni town clerk Mr Hennie Botha said he was surprised that the committees had resorted to marches instead of talking. The Benoni Town Council would continue to be committed to a negotiated settlement for a greater Benoni area "believing this to be the only responsible way of overcoming differences between various interest groups."

'Get children to think this way'

STAR 2/10/92.

EDUCATION is the key to developing a viable small-business sector and a prosperous South African economy.

This is the view of Trust Bank and Volkskas head office general manager business services Dr Willie Conradie.

"There is a strong need to educate South Africa's youth about the benefits of the free market system. But this in itself is not sufficient. They must be encouraged to participate in the free market as entrepreneurs.

"The education in this country, from the schools through to media input, is orientated towards encouraging children to obtain a good education so that they will be able to work for someone else.

"This orientation is wrong. Children need to be stimulated to prepare themselves to set up their own businesses later in their careers.

"It is interesting to note that people who set up businesses after gaining experience in a particular sector as an employee, have a 70 percent greater chance of success, provided their business relates to their previous experience," says Dr Conradie.

South Africa's future peace and prosperity rests on its ability to develop an economically active society and generate employment.

"The best system for creating such activity is the free market. This means that people must not only believe in the need for the free market system but they should also become involved as entrepreneurs in the system.

"Only the free market creates wealth. The less the Government interferes in business the more wealth is created. A government's measure of success should be the extent to which it keeps its hands off.

"Central to the free-market system is small business. A community where there is a large number of independent business operators, each in competition with the others, exemplifies the free-market system. We must not retain this emphasis on only large companies with their tendency towards bureaucracy.

"Both large and small business, operating as partners in the economy, are essential," says Dr Conradie.

People need to be given the right rôle models to encourage them towards a belief and a willingness to participate in the free market.

He suggests that people should be told of small business owners who have made it, from the major successes such as the person who started off in a small business and now heads a major corporation, through to the welder and the corner cafe owner.

"I believe South Africa is going to follow the free-market system, though I am concerned that the current turmoil in this country will delay the process," says Dr Conradie.

Lending money, and a hand

STAR 2/10/92. (30)

ONE OF the main problems facing budding entrepreneurs engaged in starting their own businesses is a lack of knowledge.

This is one of the reasons for Standard Bank's creation of its Small Business Development and Advisory Department (SBDAD).

Starting out with the motto "We don't only lend money, we lend a hand", its specific purpose is to assist new ventures with both finance and training.

The department assists new and existing small businesses through a regional network of small business development managers. The purpose is to provide loans to businesses which do not qualify for loans under the bank's usual lending criteria, but show the potential to grow and succeed.

When the department is considering whether to finance a venture, emphasis is placed on the business's demonstrated viability, management expertise, the amount of capital which the owner has personally invested in the business and any supporting security which may be available.

The department's small-business development managers are trained to provide financial assistance to new ventures. Their object is to develop and secure banking relationships with small businesses that have growth potential — this work is carried out in co-operation with the respective branch managers.

The small business development managers are also there to advise on the type and amount of finance which the small business requires and to assist with the preparation of applications.

Controls are there to protect the entrepreneur

30

STAR 2/10/92

THE entry of new entrepreneurs into the market in South Africa must be encouraged to promote a vibrant economy, but there are difficulties.

First National Bank small business unit senior general manager Ali Mokoka says although small businesses are to be encouraged and in fact, are fast becoming a force in the market place, those seeking financial assistance still need to meet certain criteria when applying for a loan from a bank.

The fact that many applicants have little or no financial track record is not necessarily a deterrent, but other parameters certainly apply.

STAR

Contribution

2/10/92.

Says Mr Mokoka: "Normal collaterals and guarantees are not very common.

"What we do consider very important is the viability of the proposed business and what contribution the individual is prepared to make towards the venture.

"We examine his qualifications and whether they apply to the type of business he wants to run.

"We also want to know if he is prepared to make the sort of sacrifices in time and energy that are necessary from anyone who goes into a new business venture.

"All this information should be contained in a business plan that the applicant will have drawn up before he approaches us."

He says the bank also considers the proposed location of the business and the demand for the product or service at that site.

"This is particularly important, bearing in mind the competitive nature of small businesses, especially when there are a number of similar services competing for the same customers.

"We would decline a request for assistance, even if the applicant fulfilled all the criteria, if we saw that the competition was strong and that the players in that market place already were equipped to counter-act any new entrant," says Mr Mokoka. Many small businesses fail because of poor management rather than a lack of funds.

"Advancing additional money is not the answer.

"The Small Business Unit tries to find the cause of the failure and assist in solving the problem.

"We place considerable emphasis on business education, and offer practical advice on survival for small businesses in difficulties as well as information on support services and training that are available to the aspirant small business entrepreneur.

"We do not want our small businesses to fail and our people will help the businessman with every tool available to make his enterprise a success," says Mr Mokoka.

He says the seemingly insurmountable wall of bureaucracy that potential entrepreneurs complain about is in fact a safeguard.

"We do the informal sector and entrepreneurs a disservice by lowering our standards and making borrowing too easy.

"This would lead to more businesses failing and getting themselves into debt, and reduce our financial ability to help the next man in the queue.

"We seek to promote a culture of successful entrepreneurship amongst South Africans so that they will see self-employment as a viable career prospect, not just something to do until the job market improves.

Wealth

"Small business is a most important generator of wealth and forms the cornerstone of a successful economy.

"It is obviously in everyone's interest, not the least the bank's, that people with the courage and foresight to start small businesses should be encouraged to do so," says Mr Mokoka.

★ First National Bank and auditing firm Deloitte Pim Goldby have recently published a set of books called "Basic Bookkeeping" which fulfills the urgent need for a simple and easy-to-

How to create REAL wealth

Creating wealth through entrepreneurial activity ... other forms of activity are said to simply transfer wealth from one place to another. One of the major priorities in South Africa is to create a clear-cut small-business development policy. Taxation is another issue. Small businesses generally pay a higher rate than the larger firms.

[redacted]

Waterfront 30 will be abuzz [redacted]

STAR 2/10/92

TO CELEBRATE the launch of Small Business Week in Cape Town, special events have been arranged at the Victoria and Alfred Waterfront.

The week will feature more than 50 events in the Western Cape alone, kicking off at the Pier Head area on October 2 to October 3.

The mayor of Cape Town, Frank van der Velde, along with the glamorous Radio Xhosa announcer Pozi Matoti, will officially open Small Business Week at 11 am tomorrow.

The Pier Head area will be the centre of activity for the launch and a marquee will be erected for an exhibition of small business support agencies. There will also be a stage for a diverse programme that includes musical entertainment, fashion shows, street theatre and many other attractions.

Throughout the Waterfront, itself full of entrepreneurial activity, various other attractions are being staged to appeal to the visitor.

In the Union Castle House there will be an exhibition of entrepreneurial success stories and photographs. There will also be pictures from the popular "Cape Flats World of Business Tours" which will show the "other side" of business in Cape Town.

The Small Business Development Corporation believes the two-day launch programme will be an exciting event for both the general public as well as the entrepreneurs themselves.

Franchising has higher success rate

(20)
STAR 2/6/92

ONE method of starting a business, which generally has a greater chance of success, is to buy a franchise.

Such businesses usually have a considerably higher success rate than other start-ups.

NedEnterprise, which provides financial services to small and medium-sized businesses, prefers to finance franchises ahead of any other type of start-up enterprise.

According to NedEnterprise general manager Neville Edwards, start-up businesses based on franchises have a historical failure rate of less than one percent, whereas the failure rate of small businesses which are not franchises is over 50 percent.

Says Mr Edwards: "Franchising provides a feasible means of realising the dream of owning one's own business, which is why we concentrate on this area and encourage entrepreneurs to look into franchising opportunities."

Good franchising schemes provide entrepreneurs with a proven system and all the technical and management expertise to succeed. This includes training, accounting and management controls, product expertise, a well-known trademark and support from the franchisor.

Says Mr Edwards: "Due to these aspects of franchising, banks are better able to assess the risk of a business venture and are assured of the ongoing support of the franchisor during the start-up years.

"In addition, the provision of monthly management accounts and regular interaction between the franchisor and the franchisee enables a bank to keep track of its client's progress and assist wherever necessary."

Mr Edwards says NedEnterprise is approached regularly by potential investors and intends becoming the leading franchise financier.

He is compiling a list of approved franchisors with which the bank will do business on an ongoing basis with franchisees who qualify in terms of criteria set by both the franchisor and the bank.

Downturn forces developers into niche markets

BIOAM 2/10/92 30

PROPERTY players generally agree coastal areas have not escaped the problems of oversupply, lack of tenants and buyers and declining prices and rentals.

Office rental levels are under tremendous downward pressure, the industrial market is quiet and, although retail developments are continuing, these are in niche areas and are demand driven.

Alternatives

"The present political and economic environment is resulting in many prospective developments being held back and developers are being forced to find alternatives or niche markets," says RMS Syfrets Cape MD Coenrad van der Bergh.

On the commercial front, the company is still receiving inquiries for space but not many deals are concluded, as existing landlords are prepared to offer a number of incentives to keep clients.

While Cape rental levels are under downward pressure, this is not as severe as in Johannesburg's CBD despite vacancy levels being much the same, about 12% in Cape Town.

Anglo American Property Services Cape Town branch manager John Laws says commercial and industrial markets in Cape Town have not been sheltered from oversupply, lack of tenants and a decline in real rentals.

"Although the situation is not as dire as in Johannesburg, rentals have declined and an oversupply is developing," he says.

Van der Bergh says present retail development tends to be demand driven, and the market is more buoyant than other sectors as retail development often lacks commercial and industrial.

"Alternatives have to be found to conventional developments as, on the retail side, areas such as Cape Town, Port Elizabeth and East London are oversupplied with major shopping centres and growth appears to lie in regional centres," he says.

Decrease

On the residential front, brokers agree the value of coastal properties has been affected by the present recession. "It is definitely a buyers' market, and the recession has caused a decrease in real term values and rentals.

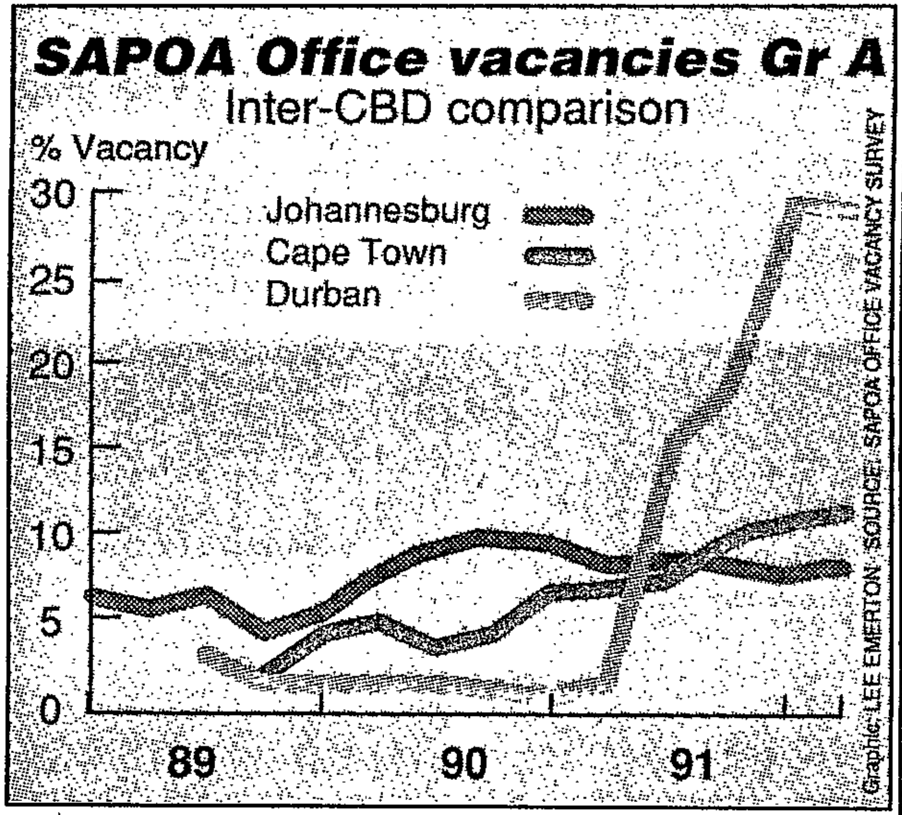
"Prices are static at the moment and a buyer of a year ago would probably get what he paid if he were to sell today," says Pam Golding Properties' Helderberg branch agent Norman Millar.

There is a noticeable influx of Transvalers eager to escape the security stresses of the Reef and to start a new way of life in the western Cape, he says.

The branch has also dealt with many inquiries for guesthouses or properties suitable for conversion to this. In Somerset West alone, two new guesthouses have opened, while a third is being expanded by new owners, he says.

Garden Route branch manager Alastair Wallis says after a few years of tremendous growth, property prices and values along the southern Cape coast have stabilised and are holding.

"This is with the exception of urgent sales where sellers are accepting lower prices. Rentals of commercial, industrial and residential property have risen by 25%, securing a better return for the investor," he says.



Tafelberg (30) increases its market share

LINDA ENSOR

CAPE TOWN — Furniture retailer Tafelberg Furniture Stores gained market share in a declining market in the six months to end-August, but severe pressure on margins and increased running costs resulted in a 17% drop in earnings a share to 2,78c (3,35c). BDay

A lower dividend of 1c (1,5c) has been declared.

Turnover rose 11,3% to R23,7m (R21,3m) while operating profit fell 7,7% to R938 000 (R1m).

Chairman Eugene Theron said measures had been taken to curb the drop in profitability but planning and projections had been hampered by the drought, weak economy and uncertain political climate. 2/10/92

He was more optimistic about the second half of the year, traditionally abetter half-period.

Three houses adjacent to the Bellville shop had been purchased for use as offices, showrooms and storage space. The acquisitions were funded with short-term finance, but the intention is to change this to long-term finance.

Following the death of founder member Derick Gerber, longstanding staff members Pieter Steinmann and Gerry Theron have been appointed to the board.

Business Day SURVEY

Coastal property markets have not escaped the debilitating effects of the protracted recession, escalating crime, violence and political instability. Uncertainty about a possible wealth tax has put a damper on the second home market and many investors are looking at commercial and industrial properties as an alternative. ***PETER GALLI*** *reports.*

Natal shop rentals are feeling the pinch

B/DAY 2/10/92.

THE NATAL retail market has suffered greatly under the present recession and a number of tenants have either folded or reduced their number of outlets, says Ampros Durban branch manager Peggy Daley.

"Vacant shops are very difficult to let as there is no money around for anyone to risk a new venture. Experienced traders are also tending not to open new outlets unless the available shop is in the best trading area," she says.

While good suburban shopping centres have held up better than the CBD shops, there have been many casualties in the less well-positioned suburban centres and a definite decline in shop rentals.

On the office side, Daley says although a serious oversupply situation has developed in Durban over the past year, buildings in good positions have tended not to lose tenants to newly completed buildings.

Resist

(30)

"Most of the new buildings are slightly out of the CBD and are therefore inconveniently situated, and tenants have tended to resist moving due to the high cost involved in the present economic climate," she says.

Rode Report editor Erwin Rode agrees, saying that CBD office rentals have not been placed under pressure by the high vacancies in new buildings, which all fall outside this area.

"Tenants in older buildings in the heart of the CBD do not consider the new buildings as an alternative and as such, rental levels in the CBD are holding up relatively well," he says.

Grinaker Property Development director Chris Oosthuizen says there is a definite oversupply of office space, even at the coast, with the latest SA Sapoa statistics indicating an average vacancy figure of 12,5% for A and B-grade space in Durban's CBD, dropping to 6% in areas like Westville and the Berea.

"Refurbishment is a viable alternative to developing new premises for companies looking to own and occupy their own premises in the CBD area as the cost of refurbishment is very competitive," he says.

Prudence the answer in the retail industry

BIDay 2/10/92

WHILE retail development in coastal areas continues unabated — with several major shopping centres under construction — any future developments need to be thoroughly researched.

RMS Syfrets MD Pat Flanagan says the retail industry in SA, like most others, is going through difficult times and the need for prudence on the part of financiers and developers has never been greater.

"No matter what the positives appear to be, thorough research is essential to the decision of whether or not to proceed with development," he says.

Somerset Mall, the R135m retail development project under construction directly adjacent to the major intersection of the N2 and the main arterial road linking The Strand, Somerset West and Stellenbosch, is no exception.

An independent research study conducted by Parker & Associates revealed the catchment area for the proposed centre was vastly undercatered in terms of retail facilities.

"A large portion of disposable income is being spent in or close to Cape Town and when the mall opens in September 1993, Somerset West and Strand retailers can expect to recapture a large portion of this," he says.

Owned by the AECI Pension Fund, anchor tenants for the 40 000m² first phase include Pick 'n Pay, Woolworths, Edgars and Ster Kinekor, and parking will be provided for 2 400 cars.

Major

AECI property manager Pat Stirling says: "From a financial point-of-view, this represents a major investment for the pension fund. We have been on the lookout for some time for suitable retail developments to diversify our property portfolio in the western Cape, but have to apply stringent criteria before committing ourselves".

The current retail industry is professional and very competitive and, however good the location and facilities may be, the fund has to maintain a leading edge with Somerset Mall.

Construction of one of the largest commercial building projects in Natal — the Pavilion regional shopping centre in Westville — is well under way. Acquired by the Eskom Pension Fund in terms of a R340m agreement from joint developers M & R Properties (Natal) and Retail International, the development is being built by M & R.

"The centre is sure to dominate the Natal retail scene and is sure to be a winner. It is strategically located to serve the whole Durban metropolitan area and, with 75 000m² of leasable area, is more than twice the size of any other centre in Natal," says M & R Properties (Natal) Chris Lawrence.

In addition, Sanlam Properties is to undertake large-scale extensions and renovations worth more than R25m at the Sanlam Plaza and Sanlam Centre in Empangeni.

The two centres will be linked to form a single shopping centre with a new identity. Total lettable area will be increased by 5 637m² to 31 350m², while the centre will also be modernised and revamped. This will make it the largest centre in Zululand.

Shining a light on vast potential

STAR 2/10/92. (30)

THE fifth annual Small Business Week organised by the Small Business Development Corporation will run from October 3 to October 10.

The Corporation points out that with unemployment running at record levels during the longest recession in decades, the Small Business Week will be aiming to create public awareness of the potential of small and medium sized businesses, in an effort to counteract these problems.

The theme is "Our Key to Wealth" and more than 300 events, aimed at small and medium enterprises, have been organised.

The events will involve both the formal and informal sectors and range from fairs, flea markets, fashion shows, exhibitions and township and rural shopping tours to conferences, seminars, workshops and training sessions.

The Small Business Week was first introduced in 1988 in an effort to focus public attention on the fact that the small and medium business sectors have proved to be cost-effective job and wealth creators in the world's most successful world economies.

Ready for takeoff at Bruma Lake

THE national launch of Small Business Week is set to take place at Johannesburg's Bruma Lake Flea Market tomorrow, October 3.

It will take the form of a family fun day with a full programme of activities including skydivers, gumboot dancers, drum majorettes, buskers, face painters and puppet shows.

A number of business, television and radio celebrity entrepreneurs will participate.

The Victoria Waterfront in Cape Town, the Farepark Flea Market in Durban, Die Mark flea market in Bloemfontein and the Magnolia Dell Craft market in Pretoria will all host Small Business Week events on October 3.

Port Elizabeth staged its launch last week at the Kings Beach Carnival.

Toni Kedzierski is Small Business Development Corporation senior general manager support services and chairman of the Small Business Week national co-ordinating committee.

He says: "Unemployment levels currently stand at around 50 percent of the economically active population, if the 3,5 million people active in the informal sector are excluded, or 20 percent if they are included.

"In addition, more than 400 000 new job seekers are entering the market every year.

"Currently less than 10 percent of these school leavers and tertiary students will find jobs in the existing formal sector.

"In the '60s around 75 percent to 80 percent of the new entrants on to the job market were absorbed by the formal sector of the economy in South Africa.

"The employment situation has changed dramatically and the majority of new job seekers will have to exploit self-employment as a career option.

"Many of these will start off in the informal sector as a part of the learning process, before progressing to the formal sector.

"The ideal situation would be for the aspiring entrepreneurs to go through an apprenticeship with established businesses before starting out on their own.

"As such opportunities are now extremely limited, a special effort has been made to include activities for the youth in the Small Business Week's programme. These are aimed at informing them about financing, and support and advisory facilities available to assist them in setting up their own businesses."

He says the South African economy needs to grow at a rate in excess of six percent for at least the next five years if it is to absorb the new entrants on to the market and make a dent in the existing backlog.

However, he is not counselling doom and gloom. He points out that a number of countries have faced similar circumstances and proved the goal can be reached, given a strong spirit of free enterprise and a government which restricts its interference in the free-market process.

"Countries such as Thailand and Singapore have maintained growth rates in excess of five percent," says Mr Kedzierski.

Busy man . . . some people are forced to become entrepreneurs, then find they enjoy it.

Supermarkets 'charge up to 220% more' 30

PRETORIA — Certain fruit and vegetables cost between 40% and 221% more at supermarkets than at local fresh produce markets, according to a spot survey by the Consumer Council in five major cities in the country. B/Day 2/10/92

Council executive director Jan Cronje said yesterday the survey — in Pretoria, Durban, Cape Town, Bloemfontein and Vereeniging — had shown the following percentage increases in the price per kilogram in the supermarkets of three chain groups over that charged at markets:

Oranges 221%; onions 197%; tomatoes 86%; potatoes 76% and bananas 68%. Potatoes in 10kg bags had cost 40% more.

"Due to the repackaging of fresh produce and the fact that size and classification are often omitted, it is impossible to compare the price of all fresh produce to market prices," Cronje said.

He appealed to retailers to indicate size and classification when produce was repackaged to enable consumers to compare prices, and also pointed out that in some instances apples cost 1 000% per gram more when sold separately in a supermarket than at produce markets. — Sapa.

FM 2/10/92 (30)

PICK 'N PAY FM 2/10/92

Financial boost (30)

It is something akin to a triumphal march when a retailer produces a 15% gain in EPS these days. All credit to Pick 'n Pay's management for this achievement, even though it was accomplished largely because of income generated from the cash balances held throughout the trading period. Unfortunately, the trading performance was less impressive than the bottom line result.

Turnover rose 10% over the 1991 first half. As inflation was then about 14,5%, it might be inferred that Pick 'n Pay lost market share. Chairman Raymond Ackerman says market research by IBIS shows the chain actually gained share. Even so, the sales trend is not healthy.

CASHED UP

Six months to	Aug 31 '91	Feb 29 '92	Aug 31 '92
Turnover (Rbn)	2,82	3,10	3,10
Pre-int profit (Rm) ..	57	75	58
Pre-tax profit (Rm) .	58	81	67
Attributable (Rm) ...	31,7	52,7	36,5
Earnings (c)	40,4	67,5	46,6
Dividends (c)	12,5	14,5	45,0

Pick 'n Pay's Ackerman ... *productivity gains*

But the rate of growth in operating income remains the real bugbear. In the 1991 first half, it fell 4,6%. This time operating income rose a marginal 2,6% off the lower base; in rand terms, it is still below the figure of two years ago — though Ackerman points out that productivity gains were achieved at operating level.

The first-half operating margin declined for the fourth successive year (1989: 2,5%; 1990: 2,4%; 1991: 2%; 1992: 1,9%). This is despite the productivity gains.

The opening cash balance at the beginning of the fiscal year was R191m. Net interest earned on this investment, together with other investment income, was R9,1m for the six months. That compares with R1,6m for the same period last year. Pre-tax income therefore rose by 15,5%, and taxed profit improved 15,4%.

Ackerman argues that a portion of the interest earned on cash resources was generated because of management's expertise in negotiating with creditors for discounts; keeping a tight rein on stocks (at end-August these were 2,8% down on a year ago) shrinkage, which has dropped to 0,5%; and generally boosting liquidity through management of working capital. He claims a portion of interest earned should be allocated directly to operating income, which would boost the margin and create a more realistic picture of group performance.

There is merit in his standpoint. Nevertheless, the facts derived from the consistently documented accounts indicate that results from trading can be viewed as "satisfactory" only because general economic conditions are so rotten. If the economy does not deteriorate further between now and Christmas, for reasons proposed by the *FM* earlier this year (*Companies* June 5), pre-tax profit and EPS for the second half could continue to show strong growth despite an expected higher tax rate. The share price, at R22, may well be discounting this prospect. *Gerald Hirshon*

Plan to boost development has many aspects

STAR 2/10/92.

30

AS THE single largest shareholder of the Small Business Development Corporation, the Sanlam group of companies is at the forefront of small business development.

Sanlam senior manager public relations Leon Koen says: "We are fully aware of the critical importance of the small business sector in paving the way towards economic recovery."

The thrust of the group's corporate social responsibility programmes in relation to small business development is concentrated in two areas — the promotion of the concept of entrepreneurship and the advancement of this ideal through training.

To achieve the first objective, the company sponsors several competitions in conjunction with the Small Business Development Corporation and various individual newspapers to promote and encourage entrepreneurs and new business ideas.

In addition to Sanlam's annual corporate membership of the South African Free Market Foundation, it also supports a project which provides lectures on economics to black high school pupils.

Sanlam makes annual donations to the KwaZulu Training Trust aimed at assisting with the advancement of less privileged people in KwaZulu.

The group contributes each year to a project run by the South Africa Foundation for Entrepreneurship Development which assists uneducated, unemployed people to develop into self-sufficient workers through self-employment training programmes, which are also aimed at South Africa's returning exiles.

In regard to stokvels, Sanlam assists the Get Ahead Foundation with financing people setting up businesses based on the stokvel system.

The company's contributions to the Africa Co-operative Action Trust are used to advance needy rural communities through the provision of basic skills in a variety of agricultural and stock-breeding areas.

The Triple Trust uses cash from Sanlam to train uneducated people in a variety of business skills and it also sets up individuals in informal businesses.

Sanlam supports the Valley Trust in its efforts to provide medical, agricultural, technical, economic and educational advancement for black people in Natal and KwaZulu.

The Independent Business Enrichment Centre is also sponsored by Sanlam. This organisation concentrates on the advancement of less-privileged people in the Eastern Cape and Border areas through a process of motivation, training, and assistance with setting up small businesses.

The Sanlam Centre for Small Business Management is situated at the Northern Transvaal Technikon and is used for management training.

Sanlam's contribution to the Informal Business Training Trust is used to provide basic management training for entrepreneurs and the course has become known as the "Township MBA".

In addition, in a co-operative venture with the African Businesswomen's Development Forum, Sanlam is launching a regular flea-market in Khayelitsha.

It's not all bad news . . .

STAR 2/10/92 (30)

SOUTH Africa's economic future rests on the extent to which it is able to foster entrepreneurial activity and generate the wealth needed to uplift and educate its population.

The recession is having a significant negative impact, but there are indications that the effects are not all bad.

Toni Kedzierski, Small Business Development Corporation senior general manager support services, says the recession has led to more people entering small business.

"As more people are retrenched so many of them have no alternative but to start up their own enterprises.

"The extent to which this is taking place is difficult to measure as most work from home and are not trading in a formal format, not registering as either closed corporations or private companies.

"There are two main types of entrepreneurs.

Toni Kedzierski . . . more entering small business.

"Many have no choice and start their own businesses. Throughout the world people have few options when they become unemployed. They may use some form of unemployment benefit to survive; find another job; turn to crime; or start their own business.

"If they go into business it is done as a survival measure and often they will stop doing business as soon as they are able to find a new job. Many people prefer working for someone else.

"However, some of the people who start small businesses to survive, find they enjoy running their own show and become growth-oriented entrepreneurs."

People who grow up in families which own their own businesses, often go into business — even if it is not the family business.

Others start off working for other people and see opportunities which they act upon — for their own account.

Mr Kedzierski says the first two years of a small business's life are crucial and it is during this period that the greatest number of failures occur.

The SBDC is conducting an intensive study of causes of failure.

Mr Kedzierski says one of the major priorities in South Africa is to create a clear-cut small-business development policy. He notes that there are few programmes in place to promote small business.

"While the Business Act is intended to make setting up a business easier, by cutting through some of the licensing red-tape, it has not yet been implemented.

"Businesses must still comply with the housing act and town planning rules. There is a need for government to adopt policies and practices which encourage small business.

"There is still no preferential tender policy with regard to small business, and often the small business cannot even fill in the complicated tender documents.

"Another major issue is taxation. Small businesses are, generally, paying a much higher rate of taxation than the larger firms, due to the various incentive schemes which larger companies enjoy," says Mr Kedzierski.

There are large companies which operate schemes under which they buy from small businesses. Mr Kedzierski says those schemes which function as a part of the firm's corporate responsibility programme tend to fail, while the schemes which are operated as a means of increasing the corporate profits tend to be successful.

He is optimistic about the future and believes that as more people in South Africa become involved in the decision-making process, so there should be a greater orientation towards small business.

"It is important to remember that entrepreneurial activity creates wealth and any other form of activity simply transfers wealth from one place to another," says Mr Kedzierski.

Effort to end retail dispute

WMail 2/10-8/10/92

Weekly Mail Reporter

EMPLOYERS are to push the South African Catering, Commercial and Allied Workers' Union to withdraw its industry-wide dispute at a series of meetings this week, as a condition for discussing the union's demands.

Saccawu declared the dispute three weeks ago after its drive for centralised bargaining had been frustrated by employer lack of interest.

There will now be three separate meetings in the commercial, catering and retail sectors where employers will relay their rejection of the Saccawu dispute which they regard as "premature". Several employers have said they want Saccawu to withdraw the dispute before they can begin discussing the union's demands.

Several industry conferences called by the union have been boycotted by employers, with only a few turning up and all the big players staying away. The last meeting called by Saccawu — shortly after the declaration of the dispute — was attended by just 15 companies of a potential 200.

Besides the union's main demand of an industry bargaining forum, a retrenchment moratorium and an end to flexible working hours and to the use of casual labourers are also at issue.

Look twice, else your 'special deal' could backfire

STAR 3/10/92 (30)

RECESSION has led motor manufacturers and dealers to offer a wide array of special finance plans on their products. However, financing schemes offering low interest rates can backfire, says BMW marketing manager Ivan Honeyborne.

"Buyers should not base their purchase decisions only on a low interest rate or monthly repayment," Honeyborne cautions. "There are several other issues that buyers should consider which, if ignored, could prove problematic or costly later on.

"It is in the motorist's own interest to ask himself several questions before entering into a contract.

"Firstly, he should try to assess the total cost of ownership. In this case he should look not only at the interest rate and monthly payment on the basic motor car but also take into account whether the purchase price includes free maintenance.

"Cost of maintenance can be a substantial amount each year and is rising rapidly. Obviously, the longer the period of free maintenance, the better the deal.

"Other factors to be taken into account are resale value and what features are included as standard and what will cost the buyer extra."

The next important factor is the disadvantage of high residual values or guaranteed buy-back financing schemes. In many cases the residue owed by the buyer at the end of his financing contract is very high — up to 80 percent of the original value of the car. Because the financing covers only interest and a very small portion of capital, buyers will find it very difficult to terminate or prematurely end such financing agreements as the market value of the car will not match the balance owing under the financing agreement until virtually the end of the contract.

In the case of guaranteed buy-backs the guarantee is often only in respect of trading in your vehicle on another from the same manufacturer. This does not give you the freedom of choice to change to another manufacturer should you so wish, he says.

High residual values or guaranteed buy-backs can also have drawbacks in terms of insurance write-off. In the event of a total write-off as a result of accident or theft, most insurance policies will pay only the market value of the vehicle at the time. This could leave you looking for a substantial sum to settle your financing obligation. Alternatively, you will have to pay considerably more in monthly premiums to ensure that the insured value of your car is sufficient to settle your outstanding indebtedness in terms of your financial contract.

"Finally," says Honeyborne, "potential buyers should look not only at the initial interest rate but also at the rate over the entire period of the contract. Some schemes offer a low initial interest rate which rises after 12 months. This means your monthly payment will rise sharply from year two."

Unless a potential buyer takes all these factors into account, "he could be in for some expensive surprises somewhere down the line".

Major move to small cars

Recession and high perks tax chief factors

Star 3/10/92 (30) 1992

FINANCE STAFF

SOUTH Africans are continuing to "buy down" in the motor vehicle market — so much so that small cars now account for 73 percent of national car sales, compared with 49 percent 10 years ago. This was disclosed by Brian McCarthy, head of the McCarthy Group, South Africa's largest motor vehicle distributor.

He says in his latest chairman's statement that economic circumstances to a large extent dictate the profile of the market. However, this has also been distorted by the high level of perks tax on private usage of company cars.

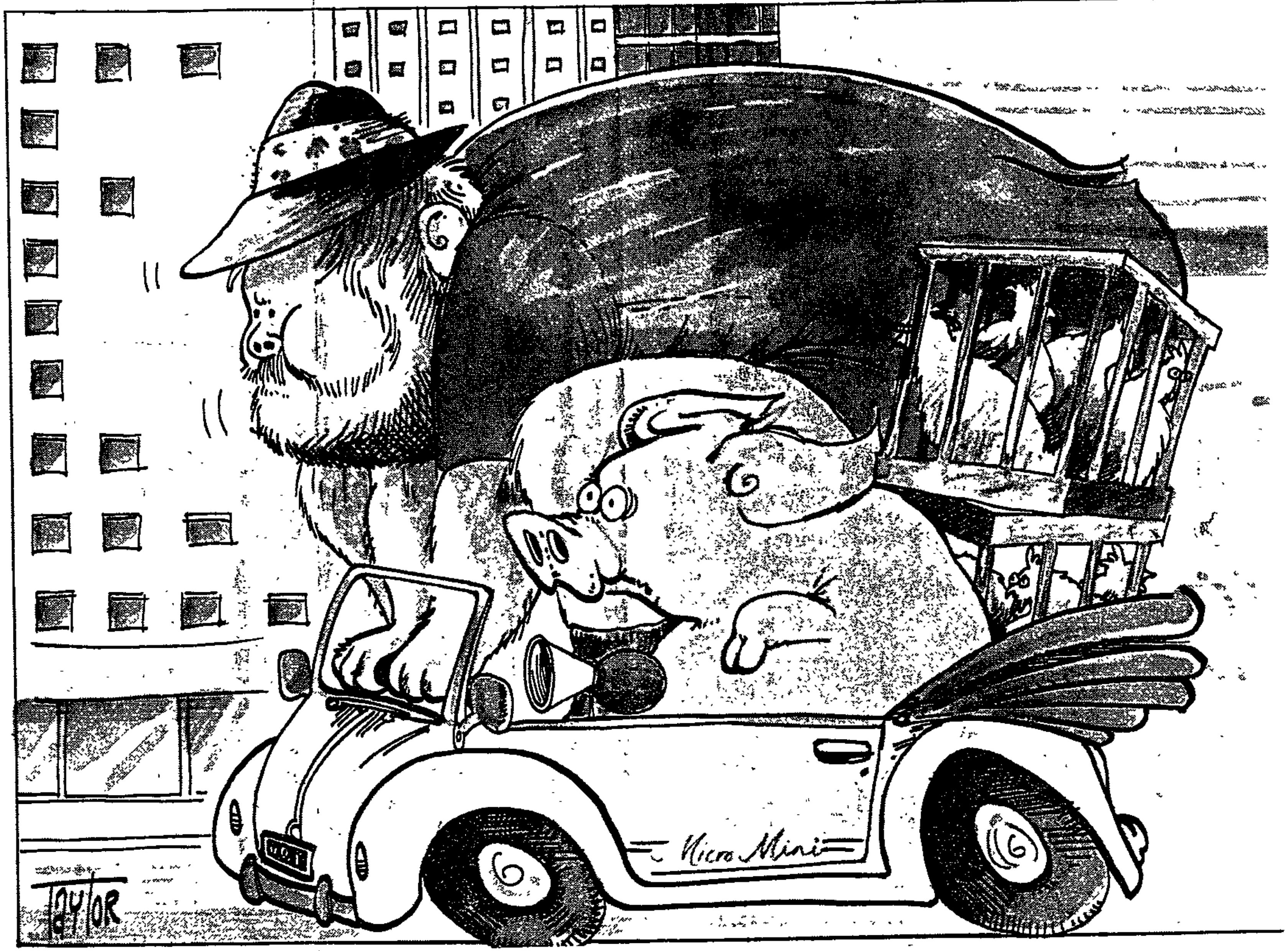
"This has made the car allowance scheme more attractive than the provision of a company car," says McCarthy.

Unrealistic duties

"The top end of the luxury car market has also been influenced by the deteriorating economic conditions. Total sales in this sector fell 20 percent over the past year.

"The current unrealistically high duties payable on built-up units influences the size of this market, and in this respect, the recommendation of the National Association of Automobile Manufacturers for a reduction in duties on cars over a period of five years from the current 110 percent to 60 percent makes a great deal of sense. It is in line with current world economic practice.

"Sufficient protection would still be given to manufactured units, but the consumer would have greater freedom of choice and the exchequer would be adequately compensated by the relatively high duty on the greater number of units that would be sold."



Chamber calls for flexible approach in recession

[redacted] (30) [redacted]

Sault 3/10-7/10/92

AS THE recession bites deeper, greater flexibility is needed to help small and medium-sized enterprises stay afloat, reports the Cape Town Chamber of Commerce.

According to the Chamber's human resources manager, Mr Charl Adams, 1992 has been "extremely tough" for small business.

The number of bankruptcies in the first nine months of the year is expected to be about nine percent up on the 1 764 during the same period last year.

"This is all the more reason why there should be greater flexibility in dealing with small businesses, in providing them with protection and support services," Adams says.

Small businesses are inherently at a disadvantage. Labour legislation, for example, is geared towards big business, which has a highly organised and unionised workforce. Many small businesses cannot afford to meet all the health and safety regulations or the minimum wages laid down by the industrial councils.

These councils often throw the book at small businesses instead of understanding their circumstances and being more lenient. They should not let all standards go, or allow workers to be exploited, but should adapt the regulations to the needs of small businesses.

The Chamber would like to see a "sliding scale" of legislation for the small business sector, which should also be represented on the National Manpower Commission (NMC).

A NMC report on this issue will be released shortly, but it is understood that the Chamber's recommendation has not been heeded.

Adams says this negative approach to the small business sector springs from the fact that "big business still calls the shots, despite the fact that over 80 percent of our membership are small and medium-sized enterprises".

There should be a happy marriage between the two, but small business remains the abused partner. Although government could act as a marriage counsellor, it is not doing so.

Instead, the Chamber is acting as a surrogate counsellor and 1992 has been one of the busiest yet for Chamber staff, who are dealing with more and more enquiries from members on how to deal with the difficult times.

Unfortunately, at a time of rising unemployment, many of the calls from businesses seek advice on retrenchments to cut overheads. If labour laws were relaxed, these overheads could be cut without losing jobs.

"Ways of allowing people to move into self-employment have therefore become more important — entrepreneurship has become the name of the game.

"But we are falling behind in this and we need to do much more to inculcate the ethic of entrepreneurship, from school level onwards. Difficult times call for creative approaches," Adams says.

Other problems that continue to plague small businesses include their difficult access to loans because of a lack of collateral.

Banks are obsessive about minimising risks, and the small business sector is undoubtedly risky. But, again, innovative approaches are called for and some are now being pioneered by a few banks in association with stokvels, hawkers' associations, the Small Business Development Corporation and others.

The banks realise that today's small business can develop into the big businesseses of tomorrow — and need help. But much more needs to be done.

Lynda Loxton

Celebration of entrepreneurship

South 3/10-7/10/92

THE energetic spirit of entrepreneurship will be celebrated during the fifth annual Small Business Week (SBW) which starts on Saturday and runs until October 10.

In the Western Cape alone, the SBW will include more than 50 events involving more than 35 organisations (see Calendar of Events).

Co-ordinated under the auspices of the Small Business Development Corporation (SBDC), the week aims to highlight ways in which small businesses can be promoted and developed — and to show what they can do.

There will be seminars and training sessions, fun-filled flea markets and craft markets, open days at small business projects and general information days.

The week will be launched in the Western Cape with a two-day programme of events at the Pier Head at the V&A Waterfront.

30

October 3 to October 7 1992

Western Cape trade body mooted

South 3/10—7/10/92.

(30)

MR SAM Tuntubele, national vice president of the Federation for African Business and Consumer Services (Fabcos), is spearheading a drive to unite business organisations in the Western Cape into a single, representative body.

The idea of a "Consultative Business Forum" has already been mooted among executive members of Fabcos, the Western Province Chamber of Commerce (Wepcoc) and the Khayelitsha Business Association (Khaba) as well as various civic organisations.

It is envisaged the new body will have a federal structure to "present a united voice for all businesses in the region since a medium-term goal of attracting the formal business chambers of Cape Town onto such a forum is a priority", said a Fabcos statement this week.

Fabcos is also actively involved in development of the informal sector. It has formed a company, Kemfin Management Services, which will address the lack of business management skills among Fabcos members. It will contract accounting, consultancy, financial planning, project management and development and training for members.

● Readers can get a glimpse of the informal sector in the townships during Small Business Week, when a special shopping trip to Khayelitsha, Guguletu and Langa will take place.

Organised by the Herr Organisation and the Business Skills and Development Centre, the trip will be sponsored by the Energos Foundation and will be led by Mr Vuyani Qamata, an experienced tour guide who lives in Guguletu.

Captour chief executive, Mr Gordon Oliver, will be on the trip too. Visits are planned to fleamarkets, a shebeen and a tavern.

There will be opportunities to buy leather, wood, sculptures and garments of every description made by informal sector operators.

Lynda Loxton

Little shop of affection

Sault 3/10 - 7/10/92.

(30)

By Juanita Williams

SMALL BUSINESS is serious business. This is what Mrs Fatima Norodien of Mitchells Plain has discovered.

She runs a spaza shop from her home, selling everything from the basics, like bread and tinned foods, to luxuries like chocolates.

"I buy most of my supplies from Makro, but the cigarettes I get at the train station, where they are cheaper than anywhere else," Norodien said.

At first, Norodien sold chicken and eggs door to door. She even had a stall selling boerewors rolls at Mitchells Plain Town Centre.

The demand for her food increased so much that four years ago she started selling from home.

But, at that time, running tuckshops from a home was still illegal and she was fined R50. This did not put her off. She could not get any loans but she did so well that two years ago she had earned enough to extend the tuckshop. She built a garage, which was turned into a small games centre with a pool table and video games.

The children are sometimes at the games centre until closing time.

Parents in the area seem to be happy about this because they know their children are somewhere safe.

Pupils are not allowed into the games room during school hours, and troublemakers are not tolerated.

Norodien runs the shop during the day and her son, Thabiet, helps out on weekends and at night.

The shop opens as early as 8am and closes at 11pm weekdays. Over weekends, it closes after midnight.

The late hours have disrupted family life, especially when "people knock on the door at 3am to get chasers for their liquor".

Not surprisingly, her husband has sometimes asked her to give up the shop.

"But I need my independence. It feels good to be able to buy something I want when I want it," Nordien said.

She has become "attached" to the children and enjoys the company of the continuous flow of people knocking at the window — every few minutes, it seems — wanting to buy something.

It would appear the youths in the area return her affection. They clearly prefer being sent to "Mrs Norodien's" than the shop up the street.

SBDC to highlight developmental role

Sowt 3/10 – 7/10/92. 30

THE promotion and development of small business should be included in regional development plans to ensure more integrated development in the region.

This is the view of Western Cape regional manager of the Small Business Development Corporation (SBDC), Mr Wolfgang Thomas.

Loans of about R5 million are approved monthly by the SBDC in the Western Cape and top R50 million yearly.

Some proposals are approved by commercial banks, highlighting that a number of proposals submitted to the SBDC do not fall within its developmental goals.

Thomas believes the funding squeeze experienced this year by the SBDC may lead to renewed emphasis on developmental projects.

There has been confusion about SBDC's financial position since it was announced that its allocation from government had been cut.

Half the SBDC's share capital of about R250 million is funded by government and the other half by the private sector.

But total capital employed is about R850 million, most of which has come from the government for special projects such as job creation and the construction of hives.

Over the years, SBDC has come to rely on government capital for special projects because its core business of mini-loans was risky.

Most loans went to small or medium-sized white-owned businesses, which led to criticism of SBDC's lending policies.

The criticism came from both small black businesses and banks furious that the SBDC was lending at lower rates to businesses which could have gone to them.

The SBDC was caught in a vicious spiral — its appetite for capital from the government was in proportion to the size of its loans, and the cut in allocation from the government brought it up short.

If the SBDC wants to maintain its present level of mini-loan lending, it will have to cut back on its bigger loans or find other funding for the bigger projects. It will also have to find alternative sources of funding for its developmental programmes, such as job creation schemes in drought-stricken areas.

This calls for innovative thinking, and an indication that this is taking place emerged in the recently announced credit guarantee scheme with five major banks.

Under this scheme, the SBDC will act as guarantor for the loans granted by the big banks to small businesses and this should make about R500 million available to small to medium-sized businesses over the next three years from commercial banks.

For its developmental work, the SBDC is negotiating with various sources, including the Development Bank of Southern Africa and the Independent Development Trust.

Guide to beating the recession

South 3/10 - 7/10/92. (30)

ONE OF the biggest headaches facing businesses of all shapes and sizes is coping with the seemingly never-ending recession.

The founder and chief executive of the Progro Consultancy Group, Mr John Hendrickse, says business people need to "recognise that there will always be economic or business cycles, with good and bad times, upswings and recessions. This means you have to plan your business to cope with both situations."

For example, a marginal business that just survives in boom times will surely fall in the doom times — so how do you ensure you have a recession-proof business?

Hendrickse says most battling businesses blame the recession for their struggling business.

"But what's really happening is that the economy is reflecting the quality of collective business performance. The question is: Are you part of the problem or part of the solution?

"The solution does not lie in miracles or areas outside one's control. It lies in basic business common sense."

Hendrikse has developed a seven-point action plan to help businesses deal with the recession:

1. Focus on your core business:

Concentrate on the areas you know best and develop unique features and benefits. Get your whole organisation fully committed to your core business.

2. Start a customer care service:

Look after existing clients and customers. Don't neglect captured business at the expense of new customers. Get "close to your customers', especially with after-sales contact. Improve your communication programme with existing clients.

3. Get a commitment from all your employees:

Encourage staff to put an extra bit of effort into everything they do. This will be seen in customer service, productivity and quality of performance. But it starts with inspired leadership — an example at the top that filters through the organisation. Give the team a firm goal, such as service for survival and success.

4. Control your information:

You need to know daily, as well as monthly, how your business is performing in all key result areas.

You need to have an overview or "bird's-eye" view of your business in three areas:

- Am I getting richer or poorer?
- Am I making profits or losses?
- Is my working capital improving or deteriorating?

Once you have achieved that, you need to have a "mole's-eye" view of the following:

- What products/services/divisions are contributing to profits?
- How is my actual performance against budget?
- Which assets are under-performing or are idle?
- Which employees are ineffective and not achieving output targets?

5. Control your costs:

Every cost centre and cost element needs to be evaluated in terms of its contribution to profits. It is easier to reduce overheads than to increase prices or sales in recessionary times. Be ruthless about unnecessary waste and wasted costs. Fight for better trade prices, trade discounts and cash discounts.

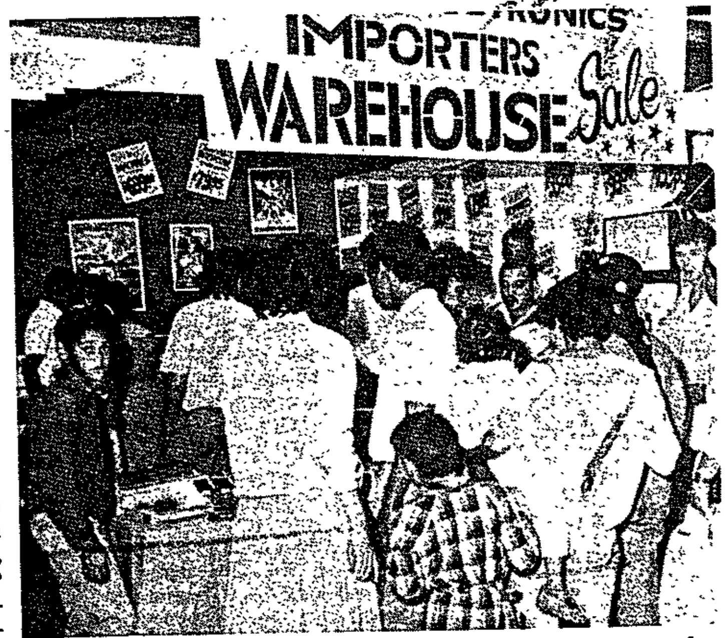
6. Control your cash:

Start running your business on a cash basis. This involves the following practical steps:

- Determine your monthly cash overheads and commitments.
- Determine your monthly cash break-even sale level.
- Prepare a monthly cash flow forecast at the beginning of the month.
- Prepare a monthly cash flow statement at the end of the month (actual versus forecast).
- Be tough on overdue accounts. Take personal control over credit granted and collections of debtors due and overdue.

7. Start managing yourself:

Survival and success begins with the boss. How effective are you? When last did you evaluate your business, the organisation and its resources? Now is the time to tackle the problems head-on, not just the fragmented symptoms.



CUSTOMERS: 'Don't neglect old customers for new ones'

Guide to beating the recession

South 3/10-7/10/92. 30

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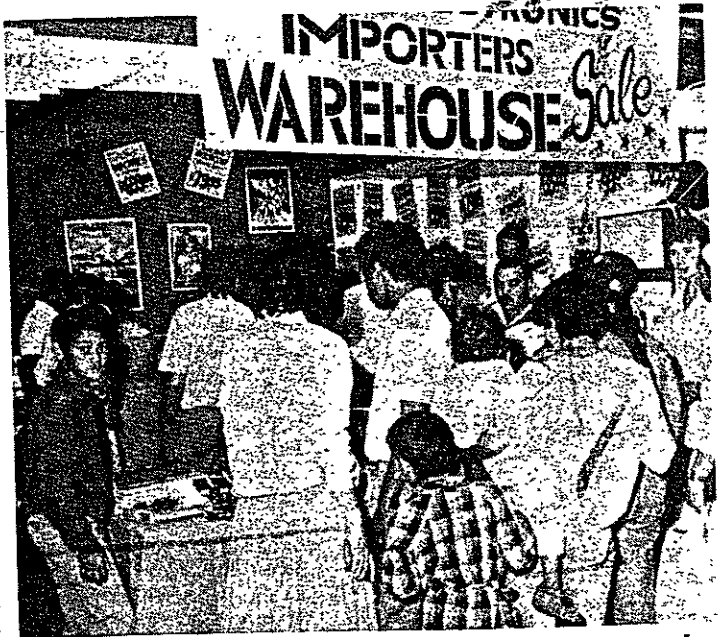


CUSTOMERS: 'Don't neglect old customers for new ones'

Don't keep the Cape this shape

Sowk 3/10- 7/10/92 (30) [redacted]

MAJOR changes in urban planning are needed to support the development and growth of small businesses.

UCT urban planners David Dewar and Vanessa Watson believe the present spawling, low-density character of South African cities works against small business activity and promotes economic centralisation.

Buying power is spread over large areas, reducing the amount of economic activity a local area can support. This opens the way for what economic activity there is to be controlled by large businesses operating from a number of centralised points.

"A more compact form of city development offers a number of advantages," they say in an article in a recently published book, "South Africa's Informal Economy".

"Large, easily accessible local markets promote economic diversification and specialisation. They thus generate a wider range of economic opportunities. They provide a greater range of viable trading and manufacturing locations, since their accessibility is not defined primarily by the configuration and intersection of transport routes, points which can be dominated by larger enterprises.

"It reduces transport costs ... and enables an efficient public transport system which particularly benefits smaller operators. It reduces service charges, and thus overheads. It allows for more flexible service provision and it increases the convenience of consumers."

They believe new urban growth should not always be channelled to land beyond the urban fringe, but to "implode it and to encourage higher densities". A great deal of vacant residual land exists within the confines of South African cities for development of this kind, they say.

Dewar and Watson are particularly critical of apartheid-inspired town planning where the planners think they can create a social "community" in new residential areas by designing them as separate and self-contained suburbs.

"In reality, the practice is highly negative and detrimentally affects the ability of the urban system to generate employment opportunities."

A glaring example of this type of planning is Bonteheuwel on the Cape Flats.

Lynda Loxton

The rapid rise of woman in business

South 3/10 - 7/10/92 (30)

A N entrepreneurial "fever" has taken hold of women and they are emerging as business owners worldwide.

According to Professor Ronel Erwee of the Graduate School of Management at the University of Pretoria, there has been a rapid increase in numbers of women business owners in Europe and the United States.

There are no firm statistics available on what is happening in South Africa, but according to 1984 estimates about 70 percent of small businesses owned by blacks were run by women.

The growth of women business owners is also reflected in competitions run by magazines — the Small Businesswoman Award drew 420 entries while the Business Starters award drew 1 000 entries over three years.

The Small Business Development Corporation (SBDC) reports that 20 percent, or 3 600, of their clients are women. The number of women entrepreneurs varies from region to region and they operate in different sectors.

"The SBDC has realised that women are low-risk investments as they pay back loans on time and have a low bad debt ratio," said Erwee.

"The small business units of banks and organisations involved in the training of entrepreneurs report that the proportion of women clients is increasing rapidly."

This trend can be attributed to several developments during the eighties.

The Women's Bureau started a project in 1985 to stimulate women's interest in business. Seminars were held countrywide on "Women Businesses" and about 2 000 people attended. A congress on job creation was held to encourage women to become involved in business.

By 1988 the first network of women entrepreneurs, the National Association of Women Business Owners (Nawbo), was launched by Erwee.

This organisation is affiliated to the World Association of Women Entrepreneurs, an international network of 23 000 members in 30 countries.

Erwee said there were four main kinds of women in business:

TAKING CHARGE: An increasing number of women are running small businesses

Corporate high-flyers.

These are women working in independent units in large companies who are more likely to establish a small business than those working in the main body of a corporation.

They tend to find that "glass ceilings" prevent their promotion beyond middle management levels. Sheer frustration and a conviction that they have built up marketable skills prompt them to form a consulting company or specialist service. They use the professional networks they have built up to good advantage.

Women who have gone through some traumatic life event:

A woman who is confronted by widowhood, divorce, separation, migration or refugee status may see this as a debilitating event — or a chance to find a new life by, for example, starting a small business.

Women from an entrepreneurial family or environment

Women with parents, relatives or friends in business are more likely to establish a small business than those without such contacts.

Re-entry women

Many women re-enter the workforce by starting a business from home after their childbearing years.

This trend is growing stronger and Women's Enterprise magazine was launched to cater for this market.

But women's actual entry into business is also affected by several strong traditions in our society. These include:

Career choice

Business is not a traditional career choice for women because they have grown up without any role models in this area. But since women business owners have become the new media heroines, this has had a subtle effect on career choices. Young girls are, for example, becoming more interested in the Junior Achievers' Programme, started by the Centre for Developing Business at the University of the Witwatersrand.

Type of company

If women go into business, some still tend to choose traditionally "female" activities because of their skills base and experience. Many women prefer businesses such as general dealers, personal services, clothes manufacturing, crafts, retail, PRO/marketing, personnel or business services, transport, design/art, estate agencies or legal and financial services.

Major shifts in the types of companies or sectors in which women operate are now emerging:

- Some are moving from the informal sector micro enterprises to larger informal outlets such as flea markets in cities or home industries.
- The level of sophistication of applications for loans to start a business is increasing among emerging business owners. Business plans are clearer and financing is sought from major banks or institutions.
- Some women are moving from renting in shopping centres in townships or smaller centres to actually owning shops or renting in larger shopping centres.
- Established businesswomen are diversifying into new or related services and multiple ventures.
- The number of consultancy firms offering specialist services is increasing.
- There is a greater awareness about the value of exporting.

Training

The second largest source of high-level staff is women, white and black, who are interested in business. As more women study economics and management sciences at universities, a bigger reservoir of potential women business owners is being created.

But trainers have not realised the potential of this market. For example, US Aid wanted to invest in training programmes for entrepreneurs if 50 percent of the trainees were women — and struggled to find anyone who could understand that there must be women in training programmes!

Financial acuteness

The SBDC (and the grapevine) indicate that the bad debt ratio among women business owners is lower than among male business owners. This is because women tend to use more of their own funds when they start, and they save more. Their companies are smaller than those of men. They are involved in areas where the risk is lower and they tend to grow at a slower pace.

Erwee believes that the value of women business owners should not be overlooked and that they should be encouraged at every level. The future depends on it. Lynda Loxton

Call for tax breaks

South 3/10-7/10/92.

ENTREPRENEURS are the unsung "heroes" of our economy and need more state support and better tax breaks, according to Dr Ben Vosloo, managing director of the Small Business Development Corporation.

He said Small Business Week 1992 would focus attention on the key role of entrepreneurial activity in small and medium-sized enterprise (SME). This role was the cost-effective creation of jobs and spreading of wealth.

SMEs had played a prominent role in the "impressive economic performance" of certain countries in South East Asia and the West. This had caught the attention of business leaders, policy makers and academic analysts in many countries, he said.

"Many governments have tried to encourage the development of SMEs in their countries with both indirect and direct assistance measures — such as tax incentive schemes," said Vosloo. (30)

He explained that SMEs in South Africa paid tax at a marginal rate of 48 percent. But similar enterprises in Britain paid 25 percent on profits of up to R1,25 million.

"So in South Africa, a developing country, we have the absurd situation in which our SMEs pay tax at more than double the level of our counterparts in a developed country.

"Given that it is now common knowledge that the impetus for wealth and job creation has shifted from big business to SMEs, it is essential that government abandons its bias in favour of large businesses," he said.

"A more prosperous South Africa cannot be built by focusing supportive initiatives almost exclusively on the big business sector." **Lynda Loxton**

Business quitting CBD for suburbs

(30) (480)

S/Times (BUSS) 4/10/92

By TERRY BETTY

BUSINESSES are turning their backs on the Johannesburg city centre in favour of the northern suburbs.

Large tenants to leave the central business district include Rand Mines, Price Waterhouse Meyernel, Sechold, Radio 702, JH Isaacs and Deloitte & Touche.

ISM is building headquarters in Sandton and Times Media (TML) is said to be moving to Rosebank.

TML managing director David Kovarsky says the company hopes to move to a low-slung building either in the CBD or the suburbs.

A decision will be taken within six months of evaluating sites and taking transport into account.

The CBD exodus is exacerbated by companies following clients. Property brokers expect Rand Mines' move from the CBD to be followed by some of its suppliers.

Surplus

Most moves are made because of the lack of security, the high crime rate and parking shortages. People also prefer working in tree-lined suburbs where they can walk around at lunch time and open windows for fresh air.

Property economist Neville Berkowitz sees the exodus continuing for at least another 10 years.

"But this will not kill the city, it will merely change its profile as it becomes the commercial hub of sub-Saharan Africa."

The CBD east of the Carlton Centre has a surplus of disused C and D grade office space that is put to residential use.

Mr Berkowitz says: "If you drive past the warehouses and office blocks in the eastern area at night, you can see light through the blankets and cardboard covering the windows."

He says urbanisation is bringing about 250 000 people to Johannesburg a year.

"This is benefiting the retail sector of Johannesburg, especially those near the major taxi ranks."

Mr Berkowitz says this trend will heighten office workers' sense of insecurity.

He sees black businesses as well as companies and trade missions from countries north of SA using the vacated office space.

He stresses that this is not negative for the CBD.

Central Johannesburg Partnership (CJP) has launched a project to stop the exodus and return Johannesburg to its former prominence. It also aims to alter negative views about the city.

CJP is financed by about 16 institutions with a vested interest in the CBD.

Executive director Neil Fraser says CJP has brought in 600 policemen and intends to recruit more. It will upgrade and convert disused space, especially that on the eastern side, into residential accommodation.

Mr Fraser says a financing scheme is being devised to help give people ownership of their apartments. Once people have a vested interest in their area, they will not allow standards to decline.

"Informal traders will become more formalised because they will be provided with space and ablution facilities."

Green spaces, mini-markets and areas for relaxation will improve the CBD.

Mr Fraser says there is much development in the wings. He is optimistic that Johannesburg will soon be safe, user-friendly and lively.

Anglo American Property Services (Ampros) managing director Gerald Leissner says CJP is not a long-term "talk shop". It has buckled down and started introducing changes.

Anglo American is probably the biggest landowner in the city. Ampros has restricted its investment to CBDs, Johannesburg commanding the lion's share of its portfolio.

Most companies with property in the CBD are optimistic about its future. However, developers do not seem as confident.

Value

A perusal of Rode's New Office Developments in SA shows six projects under way in Johannesburg and 29 in Sandton.

Eleven developments have been proposed for Johannesburg, 24 for Randburg and 32 for Sandton.

But a property broker says this is not a true reflection of the position. He says the size and value of First National Bank's Bank City and the Standard Bank Centre are greater than any development in a decentralised area.

Real Estate Surveys property economist Erwin Rode believes the attempts to keep business in the CBD are a decade too late.

He compares it with the "finger in the dyke".

"It is a worldwide phenomenon that business will move to the areas where the executives and decision makers live."

GERALD LEISSNER: Buckling down to giving city a better image

Focus on skills, employment

Small firms' week lays foundations

CITIZEN 4/10/92 (30) (KSA)

REPORTS BY ELIAS MALULEKE

THE Small Business Week seminar at the Milpark Holiday Inn on Thursday will focus on skills development and job creation in small and medium-sized enterprises (SME).

The seminar is the major event for the week which started yesterday and runs until Saturday. The event is held annually and is aimed at advancing the concept of entrepreneurship and small business as an effective route to achieving a healthy economy and individual prosperity.

Various events are held nationwide during the first week of October to make people aware of the importance of small and medium-sized enterprises, as well as to encourage those who have the skills and ambition to open their own businesses.

Some of the major highlights will include flea markets, fashion shows, competitions, seminars, workshops and training sesions.

The Small Business Development Corporation (SBDC), one of the major players in the development of small business, bankers, consultants and other small business development institutions will address various subjects including training opportunities, marketing techniques, funding schemes and tax strategies.

The SBDC estimates there are close to six million people without jobs in SA and says the figure is rising daily.

The SBDC sees the stimulation and creation of small and medium-sized enterprises as one way of reducing the existing and alarming levels of unemployment.

According to the SBDC, the majority of the SA population, through years of oppression, deprivation and sub-standard education, lack necessary business skills needed to create a viable SME sector.

The seminar will explore conventional and innovative ways of acquiring such skills to enable the unemployed to create wealth through viable economic activities.

In addition the seminar will encourage big business to get involved and to highlight ways in which they can assist the growth of small businesses.

Money or your life!

Petrified residents pay cash to stay in business

(30)

STAR 4/10/92

By MOSES MAMAILA

BUSINESS people in Vaal townships are living in constant fear following the emergence of the Mafia's Roll gang which orders them to pay exorbitant protection fees or face robbery and even murder.

The notorious gang has targeted Evaton, Sebokeng and Sharpeville in a terror campaign that has left at least one person dead and a number of businesses robbed.

The gang issues letters or passes the message by telephone, ordering businessmen to pay amounts of up to R5 000. They threaten that should they fail to comply their properties will be destroyed.

Residents say the gang unleashed its reign of terror in June and were assisted by comrades who said they needed the money to buy food as they were guarding the townships against faceless attackers.

But the situation got out of hand when the youths formed themselves into a heavily armed, organised criminal gang.

The gang allegedly gunned down businessman Puncho Kgotha after his family explained that they could not comply with the gang's cash demands.

Police confirmed the incident and said a murder charge was being investigated. No arrests have been made.

Also in Evaton, another victim of the Mafia's Roll gang, Aletta Machobane, 42, gave a chilling account of how the gang robbed her family of more than R11 000 in cash after they ignored the gang's order.

On August 31 the gang dropped a letter in the Machobane's yard "asking for a donation" of R300.

"We took it lightly and just ignored the letter which ordered us to pay or our property would be destroyed.

"We could not just obey the letter because the next one might demand R3 000," said the woman whose husband owns a flourishing coalyard and a tuckshop.

A week later the Mafia's Roll came to the house to carry out their threat. They ransacked the house and stole cash and a firearm.

Another businesswoman, Martha Sandamela, 52, said the gang robbed her of R700 a few days after she failed to comply with the telephonic order to pay R5 000 for her protection.

Although she has lost a house and a shop which was looted by the youths, the latest tragedy happened on Monday this week when the thugs fled with her Toyota Cressida after robbing her of money in the Orange Farm squatter camp.

A businessman who refused to be named revealed that most business owners in the Vaal were paying protection fees to the gang and preferred not to challenge the Mafia because that was tantamount to signing a death warrant.

Approached for comment, ANC PWV regional organiser Simon Tsotetsi said there were gangs in the Vaal terrorising people in the name of the ANC while they were actually thugs who were not members of the organisation.

The matter was receiving the serious attention it deserved, he added.

Asked whether police were aware of the gang, police liaison officer Capt Piet Van Deventer said it was difficult to link every robbery to the gang because there were many criminals in the area.

In response to the township anarchy, Azapo has called on the Vaal Civic Association to disband for "failing to take drastic steps" against thugs terrorising residents in the name of defence units.

Azapo regional chairman Tladinyane Kgodumo said the civic body should dissolve and that a non-aligned civic organisation be established.

Showcasing the true potential of the small man

C/Press 4/10/92. (30)

MORE than 300 events have been organised by 96 organisations to mark the fifth SA Small Business Week countrywide.

With unemployment at a record high, the business week – based on the theme "Our Key to Wealth" – is aimed at creating public awareness of the potential of small business to counter unemployment.

The event was introduced by the SBDC in 1988 to promote self-employment.

The project has since grown to enjoy the support of all major players in the small- and medium-enterprise development field in SA.

There are six regional committees which co-ordinate events to involve as wide a cross section of the public as possible.

The main sponsor of the business week is Southern Life. Other sponsors include the SA Chamber of Business, Anglo American, universities, major banks, the SBDC, the Urban Foundation, the Get Ahead Foundation, Fabcos, the National Association of Women Business Owners and the Women's Development Banking.

SBDC senior general manager and business week national co-ordinating committee chairman Toni Kedzierski said 50 percent of the economically active population was unemployed, if 3,5-million people active in the informal sector were excluded.

"In addition more than 400 000 job seekers are entering the job market every year, and less than 10 percent of school leavers and tertiary students will find jobs in the formal sector."

Kedzierski said the employment situation in SA had changed dramatically, and that the majority of new job seekers would have to look at self-employment as a career option.

He said it was ideal for aspirant entrepreneurs to undergo apprenticeships with established businesses before starting out on their own.

"As opportunities are limited, an effort has been made to include youth activities in the business week programme to inform them about financing, support and advisory facilities available in setting up their own businesses," he said.

Consumer boycott threat

(30)

TEMBISA residents at the weekend threatened to boycott white businesses in Kempton Park if members of the notorious gang, the "Toasters", were not arrested. Sowetan 5/10/92

In a memorandum to Kempton Park chief magistrate Mr Nicholas van der Merwe, the Tembisa Residents Association claimed certain policemen worked hand in hand with the gangsters.

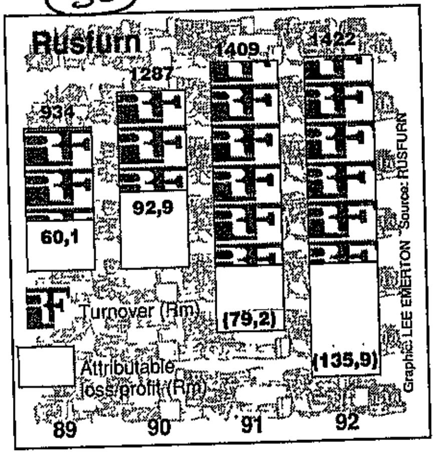
Police were yesterday not available for comment. The gang has allegedly been terrorising the township since the beginning of the year.

Rusfurn plunges deeper into red

(30)

Blom 5/10/92

MARCIA KLEIN



FURNITURE group Rusfurn plunged deeper into the red in the year to end-June as large-scale restructuring, increased bad debts and stringent provisions saw attributable losses reach R135,9m (R79,2m).

The group waived its dividend, and executive chairman Laurie Korsten said there was "little chance of a group profit in the new financial year".

Market anticipation of the results saw the share close on Friday at 12c, off a yearly low of 10c and a high of 550c.

Korsten said results were in line with expectations, and added that this was the first year of a three-year recovery period. During the year Rusfurn raised R250,7m in a rights offer, management was restructured, more conservative accounting policies were implemented and substantial write-offs were made for bad debts.

He said the demise of the Furniture Fair group, which was exposed to the high-risk, non-growth "strugglers' market", had cost Rusfurn about R230m.

Recovery from exposure to this market "is coming at a huge cost, equivalent to ordinary shareholders' capital and half the convertible debentures. This is what comes of chasing sales in a strugglers' market at a time of deepening recession."

The group's turnover increased marginally to R1,4bn, but operating income was

☐ To Page 2

Rusfurn

Blom 5/10/92

(30)

☐ From Page 1

slashed to only R4,1m compared with R138,5m in the previous year.

Dion and Russells, which accounted for about 70% of turnover, had shown "satisfactory turnover growth and acceptable profitability". But the middle to lower furniture division showed substantial losses attributable largely to bad debts.

Income before interest of R4,1m compared with a R16,5m loss in the previous year, which took into accoount a R154,9m abnormal item. The interest bill was marginally up at R85,4m, resulting in a pre-tax loss of R81,3m (loss of R100,3m).

Extraordinary items of R58,8m include R50m for the losses from discontinued operations, including the closure of Cape-based Furniture Fair and Arrow chains and certain branches in the Wanda-Frasers chain.

The balance includes writing off amounts due by the share incentive trust, goodwill from Dion's acquisition of Teeverama in Pietersburg, writing off the remaining interest held by an outside shareholder in a subsidiary, and restraint of trade payments to senior executives.

The group reported a loss of 28,8c (29,6c) a share on a fully diluted basis.

A prior year adjustment of R64,7m in deferred taxation reflects changes in accounting policy with regard to customer protection insurance of R80,4m.

During the year, the group acquired Rusfurn Vehicle Trading, formerly a joint finance company established with the group's bankers to fund vehicles and equipment. Korsten said these assets, with a net book value of R53,2m, were previously off balance sheet.

Bank borrowings were down to R266,7m from R458m. Korsten said Rusfurn was "unlikely to call for the additional R100m bankers facilities of the R282m that is available to us due to the high level of under-utilisation of current facilities and the projected positive cash flows".

Operating costs were being managed down with a reduction in unprofitable outlets, closures and retrenchment. Staff had been reduced by 21%.

The level of debtors' provisions, including unearned income, was increased to 38,7% from 30%.

Korsten said the middle to upper furniture division and mass merchandising would "maintain encouraging levels of profitability" in the coming year. But the group was expected to show an overall loss because of a poor performance and "disappointing projections" for the the middle to lower northern furniture division, made up mainly of the Wanda-Frasers group.

The southern division and Rudicks were expected to show a small profit in the coming year.

Korsten said the benefits flowing from the reorganisation and rationalisation of Wanda-Frasers and the focus on other unsatisfactory areas of the group should materialise by mid-1993.

BDay 5/10/92

Cape interest surges

THERE had been a marked increase in business inquiries in the western Cape over the last year, Western Cape Growth Organisation said in its annual report.

Meetings were held with a total of 569 people interested in doing business in the Cape — 69% more than the 336 met in the previous year to end-June 1991.

20

Townships feel the pinch of price spiral

Sowetan 5/10/92

■ Lack of supermarkets means shoppers have to pay more:

By Pearl Majola (30)

WITH yet another hike in food prices, township people who have no easy access to the big supermarket chains are probably feeling the pinch more than people in other urban areas.

According to Mr Lucas Hlahane, a store manager at one of Soweto's big discount stores, it is almost impossible for general dealers to offer consumers the same competitive prices as supermarket chain stores.

"Chain stores get their goods at discount prices because they can buy in bulk and they have storage space," he said. "They are then able to pass their savings on to the consumer."

Fruit and vegetable survey unfair, claims chain store

(30)

Consumer Reporter

A major chain store has labelled as unfair a recent Consumer Council survey which showed that certain fruits and vegetables cost 40 percent to 221 percent more at supermarkets than at local fresh produce markets.

Shoprite/Checkers managing director Whitey Basson said the survey appeared to be misleading in that it did not compare "like with like" and left out additional costs incurred by consumers who bought directly from the markets.

STAR 5/10/92

Mr Basson said the price of fresh produce in chain stores included transport, storage and packacking costs as well as the wastage factor involved in bulk purchases.

The council survey results showed that the price of a kilogram of fresh produce in three chain groups was higher than at the local fresh produce market.

The survey was done in Pretoria, Cape Town, Durban, Bloemfontein and Vereeniging and showed that in supermarkets, potatoes cost 40 percent more; tomatoes 86 percent; onions 197 percent; bananas 68 percent and oranges 221 percent.

The council's executive director Jan Cronje said that due to repacking of fresh produce and the fact that size and classification was often omitted, it was impossible to compare the prices of fresh produce to supermarket prices.

Mr Basson said Shoprite/Checkers was involved in efforts to bring down the high food inflation rate and had supplied the Board of Trade and Tariffs with figures to assist it in its investigations.

"We think it is about time the debate on food inflation was taken to its final conclusion, and that the culprits responsible for high prices were brought to book. But there are thousands of rumour mongers, each with their own research; propagating their theory on this issue."

Small business talks to US

THEO RAWANA (30)

SUN CITY — The SA small business fraternity, meeting in Sun City, was linked by satellite to the US yesterday.

US Small Business Administration (SBA) national programme manager John Bedris fielded questions from panelists of the Small Business Unity Workshop

Chairmen of the four different conference workshops were: Keith Foster, CEO of the construction training agency and Sunnyside group (deregulation) chairman; Dick Robb of Barlow Rand and chairman of the Matchmaker services (sub-contracting/matchmaking); Willie Conradie of Volkskas and Trust Bank (financing); and Business Challenge (marketing) CE Phil Khumalo. BIDAY 6/10/92.

The link-up, sponsored by US Information Service, showed that the US had many of the same problems concerning small business as SA, but was tackling them.

Bedris said his organisation had the same problem when it came to training small business people.

Most of them would say that all they needed was finance; they did not need training, they said.

"We fight the same battle in the US and 80%-85% of the failures in business are due to lack of management training."

He advised SA to step up marketing of planning programmes.

However, the US had lower interest rates than SA, so there was no need to make concessions for budding businesses.

Another advantage when it came to starting a small business development programme was that the US had a good resource environment.

"We did not have to fight like you have to for your base," said Bedris.

He advised SA to train the small rural and urban communities to go for exports. There was no point in people being trained to sell to their own communities, he said, because there was hardly any money in those communities.

Black businessmen told to build capital

THEO RAWANA

SUN CITY — The ANC urged black businessmen to think of building up capital instead of trying to ape whites with palatial houses and expensive cars, the organisation's trade and industry policy co-ordinator Tito Mboweni said at the weekend.

He was addressing the Small Business Unity Workshop conference, organised for the annual Small Business Week and hosted by Potchefstroom University's Small Business Advisory Bureau.

Mboweni urged government and parastatals to allocate contracts for undertakings such as the supply of stationery and computers. "This would go a long way towards promoting the development of small business. The black businessman grows on contracts." BIDAY

However, he asked: "Are black businessmen ready to take up the task? Are they taking advantage of these packages or just squandering the resources? 6/10/92

"There is a pattern among blacks. We have been excluded for many years from the good things in life. To equal whites, we build big houses and buy expensive German cars.

"That money which we could get from the SBDC or the banks could be used to build capital. We should pool our financial resources to buy shares," he said.

"Why can't we learn from Afrikaners who put all their money into Volkskas, their insurance into Sanlam and their buying power into Uniwinkel?"

Nedcor raises R2m for drought relief

MEREDITH JENSEN

NEDCOR Bank has managed to raise nearly R2m through its drought relief effort, The Harvest, despite the poor economic climate. BIDAY 6/10/92

Launched by Nedcor in July, The Harvest has seen individuals, as well as corporations, pool their resources in an attempt to help SA's millions of drought victims.

Nedcor Bank public affairs GM Theo Coggin said the bank hoped to attract the attention of corporate investors during its final month of the drive.

"The Harvest is the perfect conduit for corporations which have earmarked funds for drought relief." Nedcor had the ability to channel funds directly to relief efforts without deducting administrative fees, a common practice.

Coggin said many corporations had already donated funds to The Harvest, including Murray & Roberts, LTA Construction, Highveld Steel and Vanadium and CG Smith Foods.

Nedcor's objective with The Harvest had been to support a sustainable and stabilising relief effort, he said.

In addition to the corporate funds raised, Nedcor had been donating 10c for each ATM transaction, amounting to R350 000 a month off the company's bottom line.

The credit card division had pledged 15c for every R500 spent, while Nedcor employees had been asked to donate up to 3% of their annual bonus, Coggin said.

Improved sales boost Ellerine

(30)

BDAY 6/10/92

MARCIA KLEIN

A MARKEDLY improved performance in the second half saw furniture retailer Ellerine Holdings report a 9% decline in attributable earnings to R50,4m (R55,5m) in the year to end-August, after earnings had dropped by 32% at the interim stage.

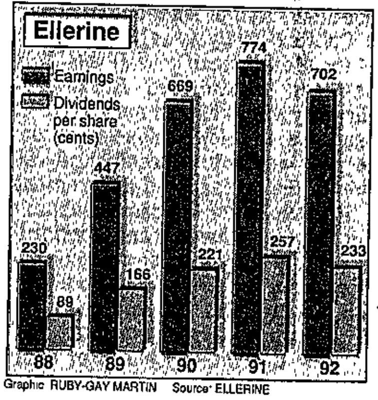
Chairman Eric Ellerine said the improved performance in the second six months had enabled the group "to make up much of the shortfall" of the first half, and sales for the full year had decreased by only 1% to R588,2m from R592,4m. Operating profit was down by 7% to R97,8m from R104,8m.

In the first half to end-February, sales were down by 9,3% and operating profit dropped by 30,5% as the group was affected by strike action during its peak season and the sharp drop in consumer demand.

But in the second six months, sales were up by 9% and operating profit grew by 16% over the same period last year.

Ellerine said results were pleasing, "especially when seen against the marked decline in sales and operating profit for the first six months", when the company experienced industrial action.

After paying interest of R2,2m (R757 000 received), pre-tax profit decreased by 9% to R95,6m from R105,5m. After lower taxation of



Graphic RUBY-GAY MARTIN Source: ELLERINE

R44,9m, earnings were down by 9% to 702c a share from 774c.

A final dividend of 148c a share was declared, bringing the full year dividend down by 9% to 233c a share in line with the group's policy of a three times dividend cover.

Ellerine said the increase in current assets had resulted from higher sales in the second half compared with the same period last year, together with "a slightly lower collection rate due to the depressed economic environment".

The improved performance was expected to continue, and Ellerine said improved results could be expected for the coming year.

The share closed yesterday at a yearly low of 4 500c, after touching 5 600c in November last year.

Real retail rentals tumble as shoppers feel the pinch

By Frank Jeans (30) STAR 6/10/92

Tight economic conditions, lost jobs and falling sales have combined to give rentals in the retail sector a severe knock.

In his latest report on the property market, Erwin Rode of the Cape-based consultancy Real Estate Surveys (RES) says: "It used to be 'shop until you drop' but now it's 'customers don't shop, so rents drop'."

On the surface, it appears that nominal shop rents for central Johannesburg and Pretoria are ticking along not too badly considering the recessionary climate.

"However, once these same rents are deflated using the consumer price index, the real tumble in levels becomes apparent.

"Even in that haven of well-heeled Rosebank in Johannesburg, where levels held up for slightly longer, rents have gone steadily downhill in real terms."

Contributing to the fall have been depressed consumer spending resulting from unemployment, low salary increases and the trend to buy downwards.

The industrial sector, too, is feeling the pinch and owners are now fighting hard just to equal mid-1991 levels, despite small increases recently.

"Looking at the latest figures, only a few industrial areas could achieve nominal growth over the past year.

"As was to be expected, the heavy industrial areas of the east and far east Rand have suffered the worst in the recession."

On the office front, RES reports that most nodes now have more than 8 percent of their A grade space empty.

Johannesburg's CBD is expected to have 16 percent vacancies of A, B and C space combined by the end of this year.

Nevertheless, Johannesburg experienced strong take-up demand in the past six months, due largely to the opening of First National Bank's Bank City.

Mr Rode forecasts that generally there will be negative growth in office rents for this year but thereafter central Johannesburg and Sandton are expected to head the turnaround.

Ellerines (30)

trims dividend

STM 6/10/92

Finance Staff

Furniture group Ellerines, which has a large exposure to the black market, reports a nine percent drop in earnings in the year to end-August but adds that sales picked up slighty in the second half of the year.

After a one percent decline in turnover to R588,2 million (R592,4 million) attributable income for the year dropped from R55,5 million to R50,4 million.

This was equal to a fall in earnings per share to 702c (774c), leading to a cut in the dividend from 257c to 233c.

The directors say the results were boosted by a nine percent sales increase and a 16 percent improvement in operating profits for the second half of the year over the comparable period in financial 1990-91.

If the economy does not deteriorate further the group expects to maintain this trend in the current financial year.

Small business steering group

THEO RAWANA (30)

SUN CITY. — A steering committee, which is to formulate a framework of policy affecting small business, has been established.

The Small Business Unity Workshop Conference, held in Sun City yesterday, appointed the five-man committee comprising chairmen of the five workships.

It is to co-ordinate the different small business committees nationwide to formulate a uniform policy.

The chairmen are Potchefstroom University's small business advisory bureau director Piet Moolman, Sunnyside Group chairman Keith Foster, Dick Robb of Barlow Rand who is chairman of Matchmaker Services, Willie Conradie of Volkskas Bank, and Phil Khumalo, Business Challenge CE.

The workshops they headed were on training/consultation, deregulation, subcontracting/matchmaking, financing and marketing respectively.

B Doc 7/10/92

The idea of such a committee came when Foster, giving his report on the deregulation workshop, told the meeting that not one party in all the main political players had a small business policy.

"If the situation is left the way it is, small business will always be neglected," Foster said.

"Deputy Trade and Industry Minister David Graaf, who is entrusted with small business, is still finding his way working out a Cabinet view on small business."

He said the Sunnyside Group and Sacob's small business forum were working on merging into a single body and hoped to have the structure in place by the end of the year.

The steering committee would immediately get to work investigating the final structure, he said.

Talk to police, Mandela is told

B Day 7/10/92

RAY HARTLEY

ANC president Nelson Mandela should meet police generals and tell them directly what his organisation expected of police, instead of simply criticising them from a great distance, says Idasa director Van Zyl Slabbert.

Addressing an Idasa conference on policing in Vanderbijlpark yesterday, Slabbert said a new negotiating forum dealing with the role of the security forces and stability during the transition to democracy was urgently needed.

Slabbert said a future political accord would depend on "transitional stability" in the public service, including the police.

He warned political leaders that the public service could disintegrate, with grave consequences, if it was left without a sense of purpose while national negotiations were going on.

The public service had been "meticulously and systematically" built up to pursue the goals of apartheid.

Now it was facing a crisis of legitimacy, he said.

Slabbert said he had always regarded Codesa as an inappropriate forum for negotiations because it had created the illusion that politicians could negotiate transition on their own.

He added that efforts by Finance Minister Derek Keys and Cosatu to establish an economic forum and the recently established housing forum, were places where "the most important bargaining is taking place".

"I think it is unreasonable to expect the police to pull themselves up by their own bootstraps.

"Like most of us, they were singularly unprepared for change," Slabbert said.

"Only five or six years ago it was seen as part of the training of police and soldiers that they had to eliminate the enemy," he said, adding that the same was true of the liberation movements.

Police consultant Kobus Neethling, who has addressed more than 15 000 policemen on ways of improving their creativity, said police needed new skills if changes in their values were to be effective.

He said police and community visions of SA needed to be aligned to truly address the accountability of the force.

Neethling said the majority of policemen he had spoken to wanted to continue with policing and had a "positive awareness" of their role.

Police needed to be caring, emotionally involved, vulnerable, empathetic, humanistic and intuitive to succeed in their work, he said.

Eastern Cape Council of Churches chairman Mcebisi Xundu said community organisations had shown they appreciated law and order by using marshals to control their protest marches.

He said chiefs and headmen needed to be elected by their communities to create confidence and increase the accountability of their policing activities in the rural areas.

City Lodge group may be listed on JSE next month

BDAY 7/10/92

JONO WATERS

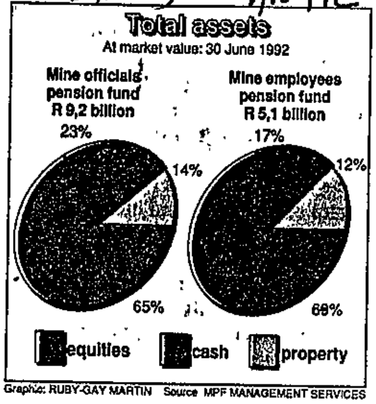
THE Mine Pension Fund Management Services would push ahead with plans for listing the City Lodge hotel group in early November, CE Barry Botes said yesterday.

Botes said at a presentation of the financial results of the Mine Officials' Pension Fund and the Mine Employees' Pension Fund that City Lodge planned to offer 5-million shares and convertible debentures at about R5 each. City Lodge was co-founded by the two mine pension funds and Hans Enderle in 1985.

The officials' fund's total assets in the 18 months ended June 30 stood at R9,2bn and the employees' fund's total assets amounted to R5,1bn. Botes said the fall in the De Beers share price had wiped R180m off the two funds' assets.

The return on total assets for the officials' fund in the year to end June 1992 was 19,7% compared with 23,8% in the same period the previous year, while the employees' fund showed a return of 19,4% (24,2%).

In the 18 months to end June 1992, the officials' fund received R479m from interest payments, R251m in dividend payments and R99,7m in rent income.



Graphic: RUBY-GAY MARTIN Source: MPF MANAGEMENT SERVICES

Expenditure amounted to R47,5m, producing a net income of R796m.

The employees' fund earned R201m in interest, R152m from dividends and R66,4m in rent which brought its total income for the 18 month period to R427m. Net income for the period amounted to R398m after expenditure of R28,7m.

Both pension funds had a mix of fixed interest cash, equities and property portfolios, but with a bias towards the stock exchange. The major equity holdings included Liberty Life, Richemont, Absa, Gencor, De Beers, Anglo American and SAB.

The officials' fund investment in shares at market value at June 30 this year amounted to R5,72bn and the second largest investment was R1,23bn in fixed-interest securities.

Shares held by the employees' fund at market value totalled R3,38bn and the fund's second largest investment was R655m in fixed interest securities.

Botes said the lack of revival in the economies of the G-7 countries had further affected SA as commodity prices had remained weak.

There was no major driving force to get the world economy going. However, the US could act as a positive force in stimulating world growth as it was election year, Botes said.

"Slow mild growth should come about in SA in the coming year, assuming a political solution is reached soon." As a result, Botes said the investment policy of the pension funds would remain cautious.

In June this year, the Mine Pension Funds' Management Corporation was replaced by the Mine Pension Fund Management Services, which Botes said would make the management of the two funds more efficient.

Analysts pessimistic about Rusfurn recovery outlook

30

BDAY 7/10/92

MARCIA KLEIN

THE Rusfurn group was expected to record increasing losses which did not bode well for a medium-term recovery, analysts said yesterday.

They were reacting to yesterday's publication of the furniture group's results to end-June, in which attributable losses plunged to R135,9m from R79,2m in the previous year.

There was no reaction to the results in terms of the group's shares, but analysts said the losses had been expected and were already discounted in the share price of 12c, off a high of 550c last year.

They added that at 12c, there was not great scope for downward movement.

Rusfurn had forecast that there was little chance of a group profit in the new financial year, but analysts said they feared the losses could remain substantial.

If this was the case, Rusfurn could find it difficult to live up to its three-year recovery programme.

An analyst said the post year-end resignation of Wanda-Frasers and southern furniture division chairman Ian Sturrock was a blow to the group.

Sturrock had been responsible for building up Russells, one of the group's only profitable divisions, he said.

An analyst said he doubted that the group would be able to keep its head above the water after financial 1993.

However, he said Rusfurn's bankers were committed to continue funding the group for at least four years.

Executive chairman Laurie Korsten had said Rusfurn was unlikely to call for the additional R100m bankers' facilities available to it.

The analyst said this could indicate that the worst was over, but the market would adopt a wait-and-see attitude.

Johannesburg's CBD 'is still good for big business'

BIDAY 7/10/92.

(30)

PETER GALLI

THERE is still solid support for the Johannesburg CBD despite the negative perceptions prevailing at the moment, says CBD Association chairman Stan Arenson.

"If one looks at the developments taking place, there is a great deal of investment and confidence in the area," he said.

A total of 157 000m² is under development or proposed in the area, with the major buildings including another 46 000m² for First National Bank, 21 000m² for Absa and 30 000m² for Anglo American's new head office.

Of this, only 12 000m² is speculative, leaving 145 000m² to be owner-occupied.

"These large investments repudiate the perception that large companies are fleeing the CBD," he says.

Many of the companies leaving the CBD occupied only small amounts of space and did not greatly affect vacancies in the area. The move out of the CBD by Rand Mines is believed to have been caused by financial factors rather than a desire to leave the area.

A lot of the space being vacated as companies expanded, upgraded or decentralised was being filled by black tenants, who were opening businesses or moving away from working at home.

"One of the main reasons for this is that transport to the north is a problem for many black people, and the CBD remains one of the hubs of business," Arenson says.

To combat crime in the area, an additional 400 police have been deployed, while another 400 will be utilised in the area by the year-end. There is also a permanent uniformed patrol, and satellite police stations are being opened where necessary.

"About 450 000 people enter the city every day, mostly from Park Station. If one had the crime statistics for other areas, you would probably find the amount of crime relative to the number of people is lower in the CBD than in most northern suburbs," Arenson says.

An initiative is also under way to improve the situation with relation to hawkers. The Carlton Centre was giving hawkers carts and even offering them storage facilities if they kept the area clean, kept their wares in the cart and kept other hawkers away.

ANDREW KRUMM reports that LTA Building has begun construction of the R130m third phase of the FNB BankCity project. The building will be completed by July 1995.

LTA regional MD René van Hal said competition for the third phase contract had been stiff, and the deal was finalised in August after tough negotiations.

"This phase will contain four basement levels, ground floor retail space, two mezzanine floors and seven floors of offices. It will be clad in granite and will have lead roofing to match the rest of the complex."

The second phase was near completion and would be handed over to FNB in the first quarter 1993, he said.

FNB construction director Jim Henrey said rebuilding the link bridge — damaged when neighbouring Aiken House was imploded to make space for the third phase — had not affected the overall completion date of phase two.

"The construction programme is tight, but with team spirit and dedication, we are confident we will hand over the building on time," Van Hal said.

On completion the whole project will have added R400m to LTA's turnover, provided 202 000m² of parking, retail and office space for FNB. The project reaffirmed the bank's commitment to the CBD, Henrey said.

Good second half stems decline at Math Ash

B/DAY 7/10/92. (30)

MARCIA KLEIN

OFFICE furniture group Mathieson & Ashley Holdings (Math Ash), which showed its first loss since 1985 at the December interim stage, remained in the red for the full year to end-June.

But results published today show a significant improvement in the second six months.

Math Ash, which is the only listed office furniture group on the JSE, reported a loss of 6,5c a share to end-June compared with earnings of 3,3c in the previous year. The dividend was passed.

The loss per share had reached 11,7c at the interim stage, but an improved performance saw it earn 5,2c in the second half.

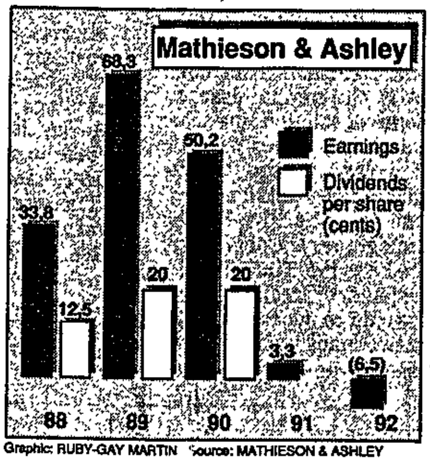
MD John Beck said there had been no improvement in trading conditions in the SA economy as a whole, and the office furniture market in particular.

The Reserve Bank had said fixed investment spending, crucial to a healthy office furniture industry, had slumped by 19% in real terms between the end of 1989 and the second quarter of this year.

Turnover for the second six months had declined by 4,5% in line with seasonal conditions, but it was still 15,5% ahead of the same period last year. This resulted in a 16,5% rise in turnover for the year to R145,7m from R125m.

Operating income for the year dropped to R570 000 from R2,2m in June 1991, but showed an improvement on the interim operating loss of R1,1m.

Finance costs rose by 31,4% to R3,4m, bringing the loss before tax to R2,8m (R347 000). Beck said the interest charge for the second six months had declined as a result of lower average borrowings from working capital reductions and improved treasury management. Working capital was reduced to R25,3m (R26,5m).



Graphic: RUBY-GAY MARTIN Source: MATHIESON & ASHLEY

After tax of R40 000, Math Ash showed a loss of R2,8m, from income of R27 000 in the previous year. Beck said tax had not been provided for in certain subsidiaries as they had estimated tax losses of about R12,5m available at year-end.

After outside shareholders and preference dividends, Math Ash showed an attributable loss of R741 000 compared with income of R378 000 in the previous year.

Beck said the return to attributable profit in the second six months was a milestone for the group, as it was "the first six month period since June 1989 that the deteriorating profit trend has been reversed".

Vestacor, which holds 74,4% of Math Ash, showed an attributable loss of R944 000, equivalent to a loss of 12,1c a share. No dividend was declared.

Call to nail food inflation culprits

BDay 7/10/92

(30)

MARCIA KLEIN

MASSMART MD Mark Lamberti has called on food industry players to publicise details of price movements of the top 100 food lines as they pass through various distribution channels, in order to find the source of food inflation.

He said players should account for the costs they attributed to the values they added. The industry needed to be scrutinised and the major contributors to the price rises should be exposed.

Lamberti has disclosed statistics of Massmart division Makro, which has food sales of more than R1bn.

He has compared prices from September 23 1991 with the same day in 1992, excluding GST and VAT.

Makro's top 10 lines constituted 12,4% of food sales. Cost prices increased 12,8%, and selling prices 8,5%.

In the top 50 lines, which comprised 22,1% of sales, cost price inflation was 9,5% and selling price inflation 4,4%.

Within the top 50 lines, he said 14 were selling at lower prices than the previous year. These included mealie meal, eggs, oil, candles and more.

The price of whole chickens was unchanged, and rice, margarine, some sugar, baked beans, cheese and teabags, had increased less than 10%.

Lamberti said retailers were using low margins as proof that they were not "adding undue cost", but he said retailers should disclose gross margins.

Five dealers unite to go it alone

Five successful owner-run new car dealers, from five different corners of the PWV area, have got together to form an independent group of Nissan dealers.

They believe this new combined force has all the advantages of a corporate organisation but none of the disadvantages.

"There is no red tape," said Arthur Chater of Parktown Nissan.

20

"If you have a query speak to one of 'the team' — we're always available to answer your questions," Chater said.

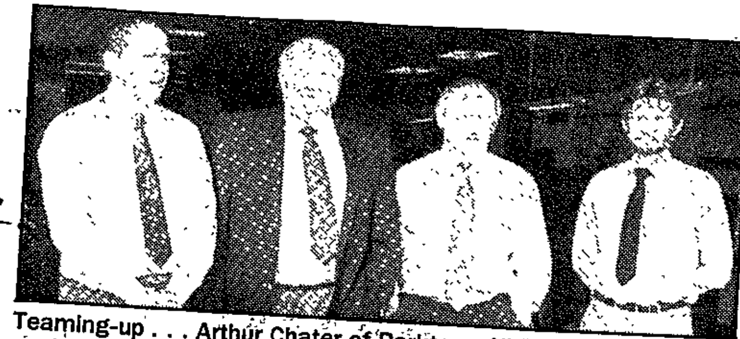
"The team," said Pierre Swanepoel of Roodepoort Crous & Human, "are also willing to service cars bought from other dealers, because their business policy is about offering customers the best in Nissan sales and service."

The five dealers are well aware that the country is in the midst of a recession.

STAR 7/10/92

Recession

"So we will gladly tailor-make a package to suit individual customer needs — it is all part of our policy of customer satisfaction," said Sean Walshe of Fossetts Nissan in Kempton Park.



Teaming-up . . . Arthur Chater of Parktown Nissan; Pierre Swanepoel of Crous & Human, Roodepoort; Harold Bromberg of Nash Nissan, Alberton; Sean Walshe of Fossetts Nissan, Kempton Park. Absent: Nathan Locke of Nathan Nissan, Randburg.

Picture: AP

There is no mention of sanctions.

'Respect for officers rests on lawful action'

BIDm 8/10/92

RAY HARTLEY

POLICE leaders needed to deal decisively with policemen who broke the law if they wished to retain community respect, Canadian police chief Jim Harding said in Vanderbijlpark yesterday.

Harding told an Idasa conference on policing that many people viewed senior officers as "determined to hide police wrongdoing from the public".

"Within a democracy, police cannot effectively discharge their duties without public consent," he said.

"It must now be clear to even the most wooden-headed police leaders that if they don't change, someone else will do it and they won't like that very much," he said. Police traditions of "boldly leading police organisations into the past" had to be abandoned and new training standards were needed.

Discipline was often mistaken for regimentation and visits to SAP colleges at Hammanskraal and Ulundi confirmed this.

Policemen needed to be "progressive, visionary and broad-minded" if they were to be effective, Harding said. SA police should consider special courses on racial and cultural sensitivity training, which Canadian police had recently undertaken, to help them cope with demographic changes in the force.

"My advice to the SAP is that, as you move from totalitarianism to a democratic state, the police cannot be given permission to break the law to enforce the law," he said.

Police forces around the world, including Holland, Canada and Britain, were facing financial constraints and needed to alter policing methods.

"We cannot close our doors to the community. It is a great and noble role for the police to play in designing the environment in which people can be just to one another," he said.

Visiting Dutch police chief commissioner Jan Wiarda said police had to reduce violence by "not using it, not provoking it and if they have to apply it, applying it reluctantly".

Wiarda, recently involved in reforming former eastern bloc police forces, said community-police trust was vital.

"The very important thing is for the police to know the citizens," he said.

Individual policemen were under enormous pressure to follow group cultures in their police force, he said.

Small business was big business briefly

BIDm 8/10/92 (30)

THEO RAWANA

SMALL business became big business for three days this week at Sun City when Potchefstroom University's Small Business Advisory Bureau hosted the small business unity workshop conference.

Five workshops looked at deregulation, financing, sub-contracting/matchmaking, training/consultations and marketing.

The highlight of the conference was a satellite link-up with the US during which local panelists talked to US Small Business Administration (SBA) national programme manager John Bebris to get to know the American experience.

An important outcome of the conference was the setting up of a national steering committee.

The feeling was that since none of the major political players in SA had a policy on small business, and the Trade and Industry Minister to whose department small business was entrusted was still "trying to find his way", this sector would continue to be neglected. The cry was for the creation of a specific ministry for small business.

The five-man committee is to include SBAB director Piet Moolman, Sunnyside Group chairman Keith Foster, Matchmaker Services chairman Dick Robb, Volkskas Bank's Willie Conradie and Business Challenge CE Phil Khumalo.

The workshop on deregulation, headed by Foster, highlighted opposition to deregulation, especially from the trade unions, the bureaucrats and big business.

Foster said the unions saw deregulation as loosening their control over workers and linked deregulation to privatisation, thus rejecting it as a cause of job losses.

Bureaucrats supported it as long as it did not happen in their "backyard".

The sub-contracting workshop, headed by Robb, highlighted a need to look at sub-contracting the manufacture of parts or component parts that added value and contributed to an assembled product that could compete locally and internationally.

"Right now there seem to be very few black manufacturers that can satisfy this need," said Robb.

Reasons and benefits to sub-contract were: capital flexibility, labour flexibility, reduced working costs, profit improvement, reduction of administration, saving of management time, benefits to both parties and job creation.

"The small sub-contracting business is often owner-managed and is more efficient than a big company in terms of its service and lower price."

The financing group, under Moolman, suggested the establishment of venture capital organisations, partnerships/franchise options, a central (and representative) development body to counsel small business and the educating of clients in financial matters by banks.

The marketing workshop, chaired by Khumalo, concluded service and pricing were the main causes for the flight of customers to big business.

BUSINESS Diary of events all over ● Sacob lends a helping hand to small enterpreneurs

the diary

Your update on what's happening in the business world from Joshua Raboroko

AN economic and tax convention, Blueprint for Prosperity, at the Johannesburg Sun today, will be attended by delegates from the ANC, PAC, Inkatha, DP and Sacob and labour.

To mark the Small Business Week various meetings will be held today at Enkuthazweni Centre, Kwazakhele; and at Atteridgeville Community Centre.

Other meetings will be held tomorrow at Victoria Market in Durban; Stanza Bopape Square in Mamelodi and at Mapulaneng Technical College in Acornhoek.

●The Institute for Black Quality Management, an association of quality practitioners and aspirant personnel, will be launched at the Milpark Holiday Inn on October 15 at 6pm.

●The Tokoza Amalgamated Taxi Association will open a new route between the township and Alexandra tomorrow at 5pm.

●The Southern Africa Black Taxi Association is to continue its three months anti-overloading campaign which started on October 1 and ends on December 31. For more information contact Sabta at (012) 327-1940.

●The managing director of the Small Business Development Corporation, Dr Ben Vosloo, will focus on key economic issues, dealing with requirements for economic growth and development in South Africa at a seminar to be held at the Transvaal Automobile Club, 60-5th Avenue, Lower Houghton, on October 13 at 4pm.

●A one-day workshop geared towards practical solutions to the problems faced by business entrepreneurs during South Africa's longest postwar economic recession has been arranged in Johannesburg for October 17.

●Business Challenge is to host a series of seminars to upgrade black entrepreneurs on how to find financial assistance from overseas. The first of these will take place in Johannesburg on October 18.

●The Black Lawyers Association's two-day conference at the Eskom Training Centre, Midrand, starts on October 17. The theme is Violence and Negotiations in the Transformation of South Africa to Democracy.

●State President Mr FW de Klerk will officially open the three-day congress of the Afrikaanse Handelsinstituut at the Johannesburg Sun Hotel on October 19.

●The Southern Africa Institute of Fundraising's second convention will be at the World Trade Centre from October 27-29. It aims to train people to assist disadvantaged communities and the needy. For more information contact Julian Blackwell at 683-3265.

●A conference on development and democracy is to be held at the Balalaika Hotel, Sandown, Sandton from October 14 to 17. Speakers will include the ANC's Dr Pallo Jordan and Mr Trevor Manuel, Professor Peter Vale of the University of the Western Cape and Dr MJ Balojum and Professor SKB Asante of the UN.

Sacob to help the small man

Sowetan 8/10/92. 30

■ **Policy document to be presented to the Government:**

By Joshua Raboroko

THE South African Chamber of Business (Sacob) is to investigate the development and support of small businesses.

It will also prepare a policy document and guidelines to be presented to the Government.

It will take the first step towards the development of a policy document when it releases the results of a quarterly survey of confidence levels in the small business sector.

This follows an announcement by the Department of Trade and Industry that a special unit is to be established to coordinate the affairs of small and medium sized enterprises.

Opening the Small Business Week Unity workshop this week, the Deputy Minister of Finance, Mr Theo Alant, said the unit would also oversee the allocation of funds channelled to small business development.

Sacob economist Mr Keith Lockhood said they felt that against the backdrop of a rapidly deteriorating economy, the small business sector deserved special support in these times.

For that reason, Sacob had formed a small business forum to ensure that issues of concern to small businesses were addressed.

That was done after consultation with the National African Federated Chamber of Commerce (Nafcoc) and the Foundation For African Business and Consumer Services (Fabcos) representing small businesses in the townships.

This view has been supported by the Young Entrepreneur Foundation (YEF) which aims to empower the economically and physically disadvantaged youths through entrepreneurial and business literacy.

YEF executive director Mr Oscar Mamba said there was a large number of school leavers who could not find employment.

Subcontracting a 'profitable' venture

6\10\77 9\10\92.

THEO RAWANA (30)

ANGLO American viewed subcontracting to small business as a good business deal, not as a charitable or social responsibility, Anglo gold division executive director Clem Sunter told executives yesterday.

Addressing a Contracting Indaba gathering at the SBDC's Pennyville Hive in Johannesburg — part of the Small Business Week — Sunter said: "We go to these entrepreneurs because they do jobs cheaper than we would have done them ourselves."

These ventures had saved Anglo R5m a year. The regionalised nature of the SBDC's operations allowed communities to uplift themselves.

"There is a silent revolution taking place in SA. People in Khayelitsha (Cape Town) are turning over R74m a year on 300m of fertile land, and 70% of the houses have backyard businesses," he said.

● See Page 4

ver

Off to a good start

Sowetan 8/10/92

■ Small Business Week attracts lots of interest

By Joshua Raboroko

THE National Small Business Week aimed at creating public awareness of the potential of small and medium sized enterprises, got off to a good start.

Based on the theme "Our key to Wealth", more than 300 small and medium events have been organised by 96 organisations for public participation countrywide.

Activities involved both the formal and informal sectors and ranged from fairs, markets, fashion shows, exhibitions and township and rural shopping tours to conferences, seminars, workshops and training sessions.

Speaking at the launch in Johannesburg, chairman of the Small Business Development Corporation (SBDC) Dr Ben Vosloo said the informal business sector was the way to the future for South Africa.

SBDC senior general manager Mr Toni Kedzierski said: "Unemployment rates stand at 50 percent of the economically active population.

"In addition more than 400 000 new job seekers are entering the job market every year," he said, adding that "currently less than 10 percent of these school leavers and tertiary students will find jobs in the existing formal sector."

He said with unemployment most job seekers would have to exploit self employment as a career option.

Union plans boycott

Sowetan 8/10/92

■ **Union will occupy company headquarters and stores throughout the country:**

30

By Joe Mdhlela

A NATIONAL consumer boycott is being contemplated against Lubners/ Melody Furnishers for failing to meet demands made by the SA Commercial, Catering,and Allied workers Union (Saccawu).

However, the union would call off the strike if the company met its demands, Saccawu official Mr Hilton Toolo said this week.

The demands included a single bargaining unit in the company and the withdrawal of all dismissals.

The union said workers had decided against an ultimatum to accept management's final offer by September 25 or be dismissed.

'The strikers have decided against this final offer,' said Toolo.

He said it was clear management was not prepared to negotiatiate on workers' demands in good faith.

'The union has decided to intensify its strike action against the company.

'Over the coming weekend, a national strike support committee would be launched with community groups.

'It is likely that a national consumer boycott would be announced at this launch,' he said.

He said the union would also occupy the company's head office and stores throughout the country.

Expenses in black businesses amount to 90 percent of turno

Black businesses hit by mass action

Sowetan 8/10/92 (30)

By Joshua Raboroko

■ THUGS ENTER FRAY Businessmen intimidated by youths during boycotts and stayaways:

MANY black-owned retailers on the Reef are operating their businesses at a loss.

In a snap survey of 100 outlets, the Soweto Investment Trust Company (Sitco) found that 94 percent of them are operating below their break-even points.

A spate of robberies, political unrest, taxation and statutory requirements such as rent owing and service charges have put most enterprises in the red, according to the survey.

The survey says the closure of shops as a result of either bankruptcy, looting and tax crackdowns have also added to the crisis.

The findings of the survey have been supported by the Greater Soweto Chamber of Commerce and Industries, the Soweto Independent Shopkeepers' Association (Soinsa), the Katlehong Chamber of Commerce and the Vaal African Chamber of Commerce.

Sitco managing director Mr McDonald Temane says while turnovers were well recorded, expenses were clearly high. In most cases expenses were about 90 percent of turnover.

"When indirect expenses and incidental expenses such as shrinkage and disturbances of trading hours are added, the situation becomes very bleak," he said.

Temane said that most of the older traders were left with no option but to sell their businesses because of cashflow problems.

He said: "Our view is that some form of Government relief has to come into effect.

"We are mindful however of the fact that Government spending is already high, and that if we are to come out of the recession one of the measures that should be employed is the reduction of Government spending," he said.

Soinsa general secretary Mr Thami Skenjana said that the escalating rate of crime and violence had serious effects on black business, although he did not have statistics.

"I was personally threatened with death and forced by youths to close my supermarket. I was forced to pay protection money."

Skenjana said more than 40 of their members had been intimidated by youths. The incidents occurred mostly during stayaway days.

"We trade under strenuous conditions. We are faced with difficult times and unless something is done, we will be forced to close our operations."

Executive director of GSCC Mr Max Legodi said that many black businesses were collapsing as a result of violence, boycotts and stayaways.

He said that at least 10 tenants had closed their businesses at the Pimville Plaza because they maintained the shopping complex was not economically viable.

President of Katlehong Chamber, Mr Joshua Namane said eight businessmen had been killed in acts of violence on the East Rand since January.

"We are forced to close business early because we fear being attacked," Namane said.

Motor industry sells more vehicles

STAR 9/10/92.

By Sven Lünsche

(30)

The motor industry received a slight boost in September, with all four sectors recording sales gains.

The National Association of Automobile Manufacturers (Naamsa) said yesterday new car sales of 15 820 units in September were four percent up on August sales.

It welcomed the increase, which it attributed to strong demand for recently introduced new models.

Sales of light commercial vehicles, bakkies and minibuses at 8 544 rose by 8,9 percent, while medium and heavy vehicle sales increased by 10,3 and four percent respectively.

Naamsa cautioned, however, that sales for the year to date were lagging well behind levels achieved in 1991 and that trading conditions would remain difficult in the short-to-medium term.

The sales figures show that Toyota regained its top market share position in the new car sales and light vehicle sectors, which it had lost in the wake of extended industrial action at its Durban plant.

September new car sales show encouraging growth

BiDay 9/10/92 (30)

EDWARD WEST

NEW car sales in the first nine months of 1992 were 11% below levels in the same period in 1991, but September's month-on-month increase was encouraging, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Naamsa said the new vehicle market would remain difficult in the short to medium term. However, a month-on-month increase in September in all four segments of the vehicle market was good in view of negative fundamentals and socio-political difficulties.

Underpinned by demand for recently introduced models, September's new car sales improved 4% to 15 820 against the 15 214 sold in August. However they were 7,1% lower than September 1991's 17 029 sales.

Samcor sales and marketing director Sean Bownes attributed the monthly increase to Toyota's return to full capacity and seasonal rental deliveries.

Toyota SA marketing MD Brand Pretorius said the supply situation was back on track two months after the strike at its manufacturing facilities. Toyota's market share in September improved to 27,9% from 22% in August.

September light commercial vehicle, bakkie and minibus sales at 8 544 improved 8,9% compared with 7 848 recorded in August and 2% compared with 8 374 sales in September 1991.

Medium (MCV) and heavy commercial vehicle (HCV) sales rose 10% and 4% to 290 and 443 respectively in September from August. Compared with the same month a year ago, September's MCV and LCV sales were 15,7% and 6,7% lower.

For the three quarters to end-September total car sales were 11% lower at 137 209 against the 154 497 sold in the same period in 1991. LCV sales were 9,4% down at 69 414 compared with 76 649 in 1991, while MCV and LCV sales recorded declines of 20,8% and 8,5% respectively.

Vehicle sales exceeded Samcor's expectations and although the improvement did not signify a turnaround, Bownes upped previous forecasts of 167 000 new car sales in 1992 to 180 000.

Nissan SA marketing MD Stephanus Loubser said an improvement in conditions was unlikely within the next six to nine months.

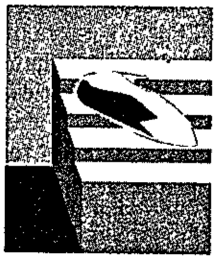
Thereafter, conditions should begin improving due to the ageing fleet which owners would have to start replacing in order to curb costs. Prices would also increase at a slower rate over the next two years, he said.

FM. 9/10/92 (30)

WOOLTRU

Getting the magic back

Woolworths was shaken by the verdict of consumers and has learnt a lesson



Woolworths has always been the principal profit generator in Wooltru. More recently, Wooltru's Cinderella has begun to approach the witching hour. In fiscal 1992, the profit contribution from Woolworths fell by three-quarters, with the result that Wooltru's earnings crumbled by 38%.

This came as no surprise to Woolworths MD Syd Muller. He had watched trading results deteriorate throughout much of 1990. By the summer of 1991, he recognised — for the first time — that the legacy of success he inherited in 1988 was based on the soundest of merchandising principles, but a chasm developed between them and the totality of modern business practice in the chain.

As deputy MD until 1987, Muller had never actually managed the overall business and the selection of key personnel had not been one of his prime responsibilities.

When he took over as MD the next year, the position came with all the baggage of the past. David Susman, about 30 years Muller's senior and doyen of SA retailing, was non-executive chairman of the group while trying to ease himself out of day-to-day involvement. Colin Hall, on the Wooltru board since the acquisition of Truworths, had been appointed CE. Most of the management corps had been with the company for many years. Trade was booming with turnover and operating profit bounding ahead. New fashions, men's and women's, were selling well.

Throughout the late Eighties, the "Woolies" clothing range became more style-conscious. The new food hall concept that Muller helped turn around was a success. In the first half of 1990, it seemed nothing could go wrong. But rising interest rates were taking taking their toll on consumers' disposable income.

Growth in Woolworths' sales tailed off. The higher fashion merchandise in particular was not moving. Initially, management believed it to be all the fault of the economy. It seemed inconceivable that their buyers had badly misjudged what Woolworths' customers wanted, or that prices were excessive.

In August 1991, after the release of considerably less-than-buoyant results, it appeared to the *FM* that the Wooltru board was on the defensive. We wrote: "Questions arising from the accounts are easily explained away by management. But a feeling remains that all is not quite what it should be in the group" (*Fox* August 23 1991). Woolworths' profit was 6% less than in 1990 (Wooltru regrettably does not disclose divisional profit figures).

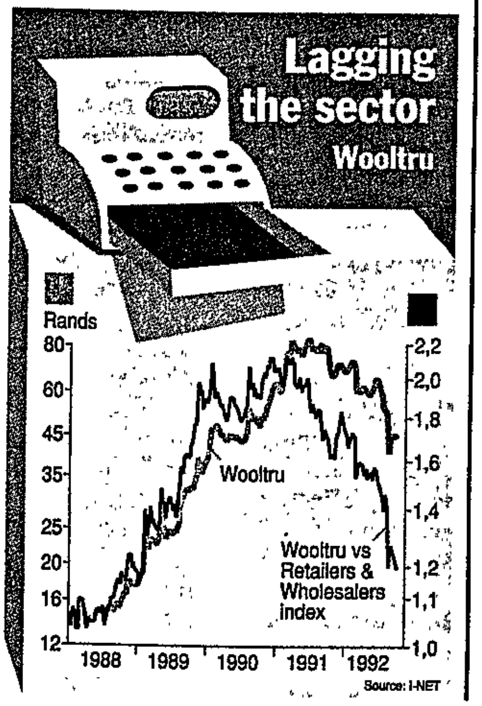
When Muller first recognised the magnitude of the problem, he moved fast. But it takes a long time — many seasons, according to Muller — to turn a ship the size of Woolworths around.

Hall

The first public manifestation of his action was the phenomenon of Woolworths' sales which, for the first time, were advertised. Then, in the second half of 1991, stock that was not moving was cleared out at fire-sale prices. That is largely why the division's profit plummeted despite the 7% rise in sales in fiscal 1992.

Vigorous action was also taking place behind the scenes. Merchandise director Farrell Ratner, an Edgars' employee for 27 years, was headhunted and he joined Woolworths a year ago. He was followed by Edgars' marketing director, Carol Grolman, widely respected in the retail sector as a leading marketing exponent. Both are now on the Woolworths board.

Ratner, together with Brian Frost, previously director in charge of foods, has been appointed assistant MD. Previous human resources director Stuart Campbell has left the company. Jon Lavies, group finance director, was appointed to the board. Simon Susman, previously operations director, was moved to foods, where he excels.



Rationalisation and substantial changes in responsibility below board level shook the organisation. But, according to a newly confident Muller, weaknesses in management and its structure have been identified and eliminated.

Had the chain followed the example set by Specialty Retail Group (SRG), which invested much earlier in the latest information technology, it would have had fair warning that its merchandise was not what its customers wanted. But its information systems were hopelessly inadequate.

All the Wooltru directors are responsible for this deficiency. It is difficult to understand how a group with Wooltru's reputation for excellence could have failed to keep pace with international retail trends in systems and information technology.

Aside from Hall and Muller, Wooltru's board embraces two other outstanding retailers. Eddie Parfett (50) is MD of SRG, of which the backbone is Truworths. Mark Lamberti (42) is MD of Massmart, at the core of which is wholesaler Makro. For years, the most sophisticated management information systems that money can buy have been installed in both these chains.

The inference is that at the level of Wooltru's board, the degree of autonomy between the operating divisions is such that no board member of one division is exposed to much detail of the other divisions. To a point, that is understandable. But as group CE, Hall should have had intimate knowledge of the inner workings of each division.

While Woolworths' profit performance was a disaster in fiscal 1992, Massmart's was even worse — by 1%. Its profits declined by 76%, though for reasons which were different and, to a limited extent, planned.

Lamberti is a dedicated and highly talented retailer. It has always been his ambition to excel in this field. Parfett identified his ability when he was with Fairways, a retail chain then in the Tradegro group and tried to recruit him into SRG. Only later, when the Makro MD slot was offered to him in 1988, did Lamberti accept the challenge.

Lamberti is a visionary. He is also a hands-on manager who exudes high voltage energy and an ambition that seems to translate into effective action. But he has yet to demonstrate that Massmart's big turnover — expected to be about R2,7bn in 1993 — can produce appropriate profits.

Within a year of joining Makro, he says, bankment development. Transnet is co-sponsor with the city of the multibillion-rand Point project though it is likely to be managed by an independent development agency and could take 20 years to complete.

The Victoria Embankment project, mooted 90 years ago, was revived recently by the transport authority. Portnet last year produced a grandiose R450m proposal to dredge and reclaim about 20 ha in the bay. It suggested the creation of three islands linked to the mainland by bridges. Impact studies revealed, however, that this would overload available infrastructure and the scheme has been revised to include just one island.

The city council has earmarked R400m through the special projects development account to kick-start these projects together with a new regional library and cultural centre, and an international conference complex (*Property* July 31). It believes these schemes will contribute to the city's growth. ■

CAPE INVESTMENTS (30)

Signs of spring

FM 9/10/92

The return on investment in Cape Town's commercial property sector is lower than in other big centres — but the region's relative stability is a major attraction. While not exactly booming, commercial and industrial sales in the city are picking up, particularly to Transvaal-based private investors.

Seeff Commercial Properties (SCP) MD Theodore Yach says 17 Cape sales worth R37,4m were negotiated by his company in the first eight months of the year. This was more than the total value of SCP's investment sales for the whole of last year.

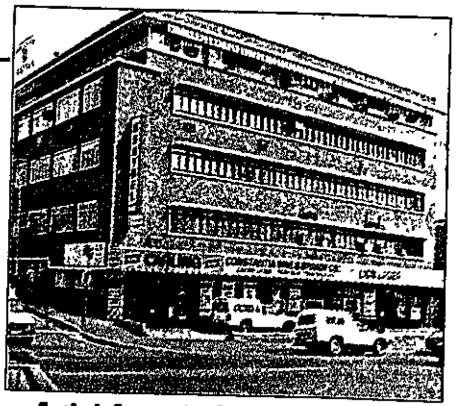
He adds: "A few years ago, Cape investment properties were generally regarded as second stringers, but our investment sales team's performance this year indicates a significant change of attitude by investors and underscores the strength of this sector."

SCP's latest sale was the 5 106 m² Satbel Centre in Greenpoint, which was bought by a Johannesburg investor for R4,7m. The property includes a 600 m² vacant stand due to be developed soon. SCP director Errol Diamond, who negotiated the deal, says an increasing number of Transvaal investors are looking for opportunities in Cape Town. But suitable properties are in short supply.

Diamond says sale prices are generally close to asking prices. This is because out-of-town investors are becoming more aware of real values in Cape Town.

Cape rentals, particularly in the industrial sector, are lower on average than other centres, which means there are good prospects for rental growth in the Cape compared to other areas. Diamond believes the Cape commercial market will keep moving upwards, though it could obviously be adversely affected by negative political developments.

He also says Cape commercial properties are a good buy for foreign investors. Rental



Satbel Centre in Greenpoint ... *sold to a Transvaaler*

FM 9/10/92 (30)

escalations are around 12% a year compared to some areas in Europe where leases are being based on rentals fixed for three years. However, though potential foreign investors are keen to move into SA and SCP is receiving an increasing number of inquiries, firm action is unlikely until the political situation is resolved.

In the latest Rode Report, property economist Erwin Rode says there is a downward trend in cap rates for A-grade Cape Town CBD office buildings, indicating that buyers' partiality towards the city "seems to be stronger than their antipathy towards office buildings as a profitable investment." ■

UMDLOTI SANDS FM 9/10/92

That sinking feeling

Umdloti Sands, the ill-fated Natal North Coast timeshare resort, faces closure within weeks unless it resolves its mounting debt crisis. About 300 timeshare owners at the resort attended a special meeting last week which was claimed to be the first AGM in two years. They were told their share block company owed more than R560 000 and might also be liable for a R1,2m mortgage raised this year.

Not present were the resort's developer, Tilly Greenstein, or the man to whom she reportedly sold the bulk of her stake, British businessman Anthony Quayle (*Property* September 4). Organisers of the meeting say notices were pinned to the doors of their last known addresses.

It is estimated that an initial R350 000 is needed to overcome the immediate crisis and that it will take another five years to get everything shipshape.

Rioma Cominelli, chairman of the Timeshare Institute of SA, and MD of timeshare operators H Lewis Trafalgar Timeshare, says the institute has kept abreast of developments at Umdloti Sands and her company will be willing to offer its expertise to help ward off provisional liquidation.

The special general meeting was told that an application for the provisional liquidation of the shareblock company could be lodged with the Supreme Court in Durban next week. A committee of five directors headed by Umhlanga property valuer Bev Robinson has been elected to investigate ways of saving the resort. ■

Policy probe planned

Sowk 10\10 - 14\10 92

THE NEED to urgently identify coherent policies to promote small business at all levels dominated this year's Small Business Week conference at Sun City.

Instead of speeches the conference was organised into two days of intensive workshops dealing with training, marketing, deregulation, subcontracting and financing.

On Monday, the United States Information Service organised an hour-long satellite link-up with the national programme manager of the Small Business Association in Washington, Mr John Bebris.

Participants in the workshops raised the main issues and Bebris gave details on how these had been dealt with in the United States.

The 200 delegates decided that a steering committee should be established to formulate a policy framework for small businesses, which would be put to all political parties.

The Small Business Development Corporation/Southern Small Business Week runs until October 10.

(30)

Pessimists 11/10/92

SMALL businesses are pessimistic about recovery and do not seem to be planning for any expansion next year, says the first joint Sacob-SBDC quarterly survey of their business confidence. (30) ([redacted])

Respondents are even more pessimistic about the influence of political and social conditions on their businesses. STimes (BUSS)

They expect input costs to rise in the next 12 months and to be passed to consumers. Most respondents identify market demand as the most restricting factor on increasing sales volumes.

Wanted urgently: business supremo

STAR 12/10/92

Debate is in full swing in economic circles on proposals to press the Government to appoint a special national supremo to unleash the full potential of a new generation of small business entrepreneurs. Support for the idea is growing, reports MICHAEL CHESTER.

IT COULD read: "Wanted: Minister of Small Business. Visionary able to identify and encourage radical new approaches to economic growth by unleashing the full potential of small and medium enterprises. A major task will be cutting bureaucratic red tape and cultivating the full co-operation of various government departments. Prospects of Cabinet status for ideal candidate."

No, unfortunately the announcement has not yet appeared in the Government Gazette. But there is a growing swell of opinion in economic circles that it is time it did.

The idea of a specific new ministerial portfolio to encourage the expansion of the small business sector was among the top items on the agenda at a recent conference at Sun City run by the Small Business Advisory Bureau.

The Small Business Development Corporation has long underscored the crucial need for radical new thinking about strategies to bring budding entrepreneurs deeper into the economic mainstream.

The potential role of a Small Business Supremo was first identified when the National African Federated Chamber of Commerce (Nafcoc) invited Eric Forth, as British Minister of State for Employment, to launch the National Industrial Chamber a year ago.

Nafcoc learnt that Britain had already taken the lead by establishing such a portfolio — and Forth had been running it.

The programme introduced special government incentives to create more mini-businesses to test a new path to economic expansion — with the added bonus of lower unemployment. And Forth reported a whole string of successes.

The debate also fired the enthusiasm of SA Chamber of Business deputy director-general Ron Haywood when he heared how Britain had tackled the issue.

He learnt that:

- In Britain, with a member of government of ministerial rank acting as special guardian of the interests of budding entrepreneurs, the small business sector had grown by 30 percent or more in the 1980s. No fewer than 373 000 new mini-ventures had been launched.
- New small businesses, with labour forces of less than 20 workers, had created more than a million jobs over the past 10 years — twice the total scored by larger companies.
- The UK had made dramatic cuts in regulatory red tape to sweep away hindrances to allow faster development of small businesses in the manufacturing and service sectors.
- Self-employment increased by 70 percent — and the number of women in the small business sector doubled.
- Since 1981, no fewer than 28 000 mini-firms had benefited from a loan guarantee scheme by almost R4,5 billion.
- The UK government had ploughed R40 billion into the nurturing of small businesses — and the private sector had topped it with R45 billion in training schemes.

Haywood found that in Japan no less than 60 percent of industrial companies were small businesses, many engaged as subcontractors or jobbers to big business. In Taiwan, the proportion climbed to 90 percent.

"One also sees how the small-business formula is being copied at an increasing pace in more and more Western industrial nations as they find themselves slipping behind their Far Eastern rivals in competitiveness," Haywood said.

"South Africa must follow suit. Even if the creation of a special new portfolio may take time, we desperately need a 'Champion of Small Business' in the corridors of power.

"Fortunately, there have been positive signals coming back from the Department of Trade and Industry. But there are still dreadful frustrations when small businessmen are shuttled from one government department to the next on every move," he said.

Sacob has already set in motion a number of initiatives intended to spur on big business to offer a helping hand to aspirant entrepreneurs — not least in handing many more subcontracts to mini-businesses to tackle the production of components or the provision of a wide variety of services.

Not only has a special Small Business Committee been formed at national level to encourage the process, but scores of individual chambers are being asked to follow suit.

"South Africa still needs as many big corporations as possible to match the international giants by using economies of scale in industry and commerce," said Haywood. "Equally important, though, as proved all around the world, we also need to mobilise all the potential resources of the small business sector. The ideal would be far more balance in the development of big business and small business — more harmony and more pooling of skills.

"We have tremendous resources at our disposal. We usually concentrate on our mineral resources when we weigh our relative advantages in global terms. We need to give a lot more attention to our human resources."

Haywood likes to insert the reminder that when South Africa sells its basic chrome ore in its natural form, it brings in no more than about R600 a ton. If the raw ore were processed all the way to the manufacture of finished products — stainless steel pots and so on — it would become worth tens of thousands of rands a ton.

"The missing link is the required number of factories along the pipeline to handle the gradual beneficiation of the raw material. That's where countries like Japan, with few such natural resources of their own, weave the magic that makes them economic world-leaders.

"South Africa needs to take a new count of its known and hidden resources. The role of small business could be enormous.

"The answer would be the installation of a Small Business Supremo with the clout to clear all obstacles and define brand new ways to tap the full potential of our budding entrepreneurs." □

OK shares' downward spiral hits 14-year low

BDAY 12/10/92 (30)

MARCIA KLEIN

OK BAZAARS' shares tumbled to a 14-year low last week, closing untraded on Friday at 600c.

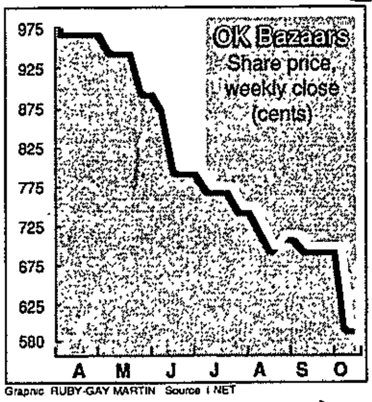
Market sources said at the weekend that the company would show a loss of nearly R35m for the full year to end-March.

The OK, which will report its September interim results at the beginning of November, last traded at 600c in 1978, falling from R21 in 1969. The share rose to R27 in 1983, and was trading at almost R20 at the beginning of 1990, when it began its most recent downward spiral.

In the past financial year OK reported a 37% decline in attributable earnings to R9,4m from turnover of R5bn. Operating income of R43,2m was eroded by a R46,8m interest bill, but a R13,5m tax write-back saved earnings at the bottom line.

Interest cover was reduced to 0,9 times, and gearing rose to 111% from 72%. Operating margins were just 0,9%, against the previous year's 1,4%.

Earnings of 75,3c a share and dividends of 37c were the lowest in at least a decade. In 1982 the group earned 306,9c a share and paid dividends of 142c a share.



Graphic RUBY-GAY MARTIN Source I-NET

Analysts said they expected a substantial loss for the full year as earnings had been dropping since 1989, and there were no signs of any upturn in consumer spending, which was critical to the OK's success.

In his 1992 annual review, CE Gordon Hood made no forecasts for the year ahead. He said closures of small, obsolete branches and their replacement by strategically placed, dominant stores and Hyperamas placed the group well for an improvement in the economy, "which must surely eventually materialise".

But analysts said this improvement had not happened in the six months to end-September, and was unlikely to happen by end-March.

Mass action had affected black consumer spending in particular, and the OK had a huge black market exposure.

The OK, which is 69%-held by SA Breweries (SAB), contributed nearly 28% of SAB's turnover to end-March but made a minimal 1,1% contribution to attributable earnings. An analyst said the OK was "a big operation with big sales, but it generated no income for the group".

The split into Hyperamas and OK stores had helped to some extent, but analysts believed this split could have helped Hyperama at the expense of the OK stores.

Although Hyperamas were trading profitably, analysts said many of the OK stores were "trying to be all things to all people", and were carrying too many different lines. The only area where the OK was saving on costs was in advertising.

Cullinan winning battle to balance brick supply

BDAY 12/10/92

PETER GALLI

DEMAND for bricks was unlikely to increase before next year, and could still drop further by then, Cullinan Holdings group executive director Rod Stewart said at the weekend.

In spite of this, Cullinan Brick had nearly succeeded in its battle to match supply with demand, and its R35m brick factory had almost overcome its teething problems of the past two years. It was producing well, he said.

"This has taken longer than we originally expected but is not unusual for the commissioning of a plant.

"Initially we experienced problems with the mechanical handling equipment," he said.

Yield

Another problem was that as production capacity was increased, the quality of bricks produced deteriorated, resulting in major adjustments to kiln equipment.

The tunnel kiln was producing at 75% of capacity, and in August and September the yield of high-quality product was at required levels, he said.

The original budget for the tunnel kiln was R35m, but the capitalisation of some finance charges and commissioning costs had added another R5m to this. "About R2m was spent on upgrading the clay preparation facility, and we expect to spend more on this in the medium term. Our stockpile is less than 25-million bricks, and stocks will have to be substantially reduced before production is increased."

National sales manager Schalk van Wyk said that in spite of the 40% drop in demand for bricks from the residential market and the 60% fall in demand from the commercial and industrial markets during the past three years, face bricks remained popular.

"The trend has been away from the glass-and-aluminium structure craze three years ago towards low-maintenance face brick. While this is initially more expensive, its maintenance-free quality offsets the initial expense within 10 years."

A strength of the company was that it was able to produce a full range of colour products at its Midrand factory. Most of its clay deposits were on site. It had opened offices in Natal and Bloemfontein.

In its drive to improve profitability and deal with market conditions, the Cullinan Group had reduced staff levels by about 50% to 3 000 in the past three years, Stewart said.

The brick division now had a total staff complement of 285, from 760 three years ago. This would be trimmed to 265 under its phased retrenchment programme.

Audiodek posts R844 000 loss

(30) DUMA GQUBULE

AUDIO importer and distributor Audiodek suffered a loss of R844 000 in the half-year to end-June. BDAY 12/10/92.

MD and chairman Monty Tolkin said trading conditions had been the most difficult since the company was listed in 1987.

Although the group maintained market share, turnover and margins had been under constant pressure. Turnover declined 9% to R24,6m (R27,2m). A squeeze on margins resulted in an operating loss of R411 000 compared with a profit of R1,2m in the same period last year. Interest payments absorbed R478 000. The attributable loss came to R844 000, or 4,25c a share. Last year interim earnings came to 1,67c a share.

Tolkin said the group had returned to profitability in the three months since June. Barring any further deterioration in the economy, he expected the interim losses to be wiped out by the end of the year. On the balance sheet, long- and short-term debt was reduced to R5,3m from R8m.

The company's shares have fallen 10% or 2c to 18c in the past month. Audiodek is trading at a discount of more than 50% to its net asset value of 40,4c a share. The company's market capitalisation has fallen to R4m.

O K Bazaars shares tumble to 14-year low

(30) CT 12/10/92

From MARCIA KLEIN

JOHANNESBURG. — OK Bazaars' shares plummeted to a 14-year low last week, closing untraded on Friday at 600c.

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Nature's costly bounty

STAR 13/10/92. (30)

SHOP AROUND
Vegetables are rapidly becoming luxury items, beyond the reach of ordinary people. Even those street-side vendors are jumping on the price-hike bandwagon. **ZINGISA MKHUMA** reports.

THE price of fresh vegetables is becoming hard to digest for most consumers, making it more important than ever to shop around for nature's bounty.

Fresh vegetables now cost on average 80 percent more than they did last year. 13/10/92

A Trends survey shows the importance of comparing prices to benefit from low prices, be they from street vendors, the supermarkets or the fresh produce market.

A 10 kg bag of large potatoes, selling for R18 at the Johannesburg fresh produce market, was priced at R21,99 at Pick 'n Pay in Rosebank. A packet of the same brand weighing about 2 kg sold for R4,50 on the streets. This means the hawker is making R22,50 from the same bag of potatoes.

A bag of eight cabbages cost R5 at the market (about 63c each). At Pick 'n Pay the same size cabbages were sold for 89c while hawkers sold them for R1,50 each. Pick 'n Pay would make R7,12, while hawkers would make R12 from the same bag. Not bad going for vendors who have no overheads!

In general, we found it much cheaper to buy some vegetables, such as spinach, onions, broccoli and cauliflower from the market, rather than from Pick 'n Pay or the hawkers.

A recent survey done by the Consumer Council shows that certain fruits and vegetables cost 40 percent to 221 percent more at supermarkets than at local fresh produce markets.

The council looked at prices of fresh produce in supermarkets in Pretoria, Cape Town, Durban, Bloemfontein and Vereeniging. Prices per kilogram at three supermarket chains were higher than at local markets.

Potatoes were 40 percent higher; tomatoes 86 percent; onions 197 percent; bananas 68 percent; oranges 221 percent.

Council executive director Jan Cronje says it is impossible to compare the prices of all fresh produce to market prices due to repackaging and because size and classification are often omitted.

Pick 'n Pay general manager Malcolm Baxter says although he is in favour of regular checks on fresh produce prices, people have to compare like with like to know what is cheaper.

Baxter says the council survey is meaningless because it is not clear if other attributes such as grade, size and variety of the product were considered.

Baxter says street hawkers play an important role in today's fruit and vegetable market.

"Even though their prices per kilo are sometimes way, way up, it is still convenient for people walking along the streets to be able to see something they want and then buy it," he says.

Consumers are warned that only bulk buying is allowed at the markets and stockpiling fresh vegetables is not often wise, especially in summer.

Council spokesman Paul Roos advises consumers to club together once a month and buy directly from the market to benefit from the cheaper prices.

"Consumers should also look out for farmer markets — where farmers bring their produce to specific areas and sell directly to the public", he says.

Forking out . . . the price of fresh vegetables has sky-rocketed. Picture: Joao Silva

Score-Clicks 'expects to continue growing'

BDAY 13/10/92 (30)

MARCIA KLEIN

CLICKS and Metro Cash and Carry (Metcash) would continue to show growth in the year to end-April, chairman Gordon Utian said in the Score-Clicks annual report.

Score-Clicks, whose ultimate holding company is the Premier Group, holds just over 50% of Clicks, and 14,6% of Metcash and Score Supermarkets.

Utian said Clicks had performed well in the 14 months to end-April, increasing turnover to R837m and attributable earnings to R25m. In February it raised R52m in a rights issue to help eliminate short-term borrowings, maintain expansion and accelerate its automation programme.

During the year, 15 new Clicks and 24 Diskom outlets were opened to bring the total to 203. Another 32 new openings were planned for the current year. Since year-end, Clicks had acquired Musica.

Utian said Clicks "should maintain its growth, continue with its ongoing expansion programme and remain the market leader in its field".

Metcash's performance over the 10 months to end-April had been exceptional, he said, reporting attributable earnings of R28,5m compared with a previous year loss of R53m.

A R87,4m rights offer had reduced borrowings and improved gearing, and cash resources at end-April were R227m.

Utian said that following a rationalisation programme, improved financial controls and an effort to reduce overheads, Metcash was "now well structured and focused". It was expected to improve earnings in the coming year.

Score Supermarkets had converted a R14m operating loss in the previous year to an operating income of R7,8m. This was achieved through reductions in the overhead structure and rationalisation of support staff.

Activities were refocused, "particularly with reference to reduced levels of non-food ranges and a greater exposure of foods". Score closed or sold 14 non-viable stores and a number of distribution centres were merged into a single centre.

Utian warned that Score's ability to perform at satisfactory levels of profitability "continues to depend on the successful containment of costs within a recessionary environment".

The Score-Clicks group had undergone some major changes to end-April. The group's 59,3% holding in Score Food Holdings was exchanged for direct holdings in Metcash and Score Supermarkets.

In terms of the scheme of arrangement, Metcash bought Score Foods, whose listing was terminated. Metcash disposed of the retail supermarket interests of Score Foods and Metcash to Score Supermarkets, which was listed on the JSE.

Utian said the period under review covered 14 months and included results for varying periods of time, making comparisons difficult.

Group turnover for the period was R1,2bn from R1,9bn in 1991, and attributable earnings were R11,7m (R14,9m).

A decrease in earnings a share to 20,4c (26,0c) was "attributable to the losses incurred by Score Foods" prior to the new group structure.

EXECUTIVE SUIT

Protests over VAT and food prices begin today

STAR 13/10/92

By Abdul Milazi

The African National Congress will today hold demonstrations and occupy major food chainstores countrywide to launch "Asinamali", a campaign to fight VAT and the recent price increases of basic foodstuffs.

30

ANC national campaigns organiser Mandla Dlamini said yesterday that today's demonstrations would include blockades of payout points and the occupation of major food chainstores.

"We want the Government and the food-controlling boards to know that people cannot afford the high food prices. We also want the Government to stop restructuring the economy without consulting the people," said Dlamini.

He said the campaign would continue until these problems had been addressed.

Pretoria police spokesman Lieutenant Brahm du Preez said although the police respected the rights of organisations to protest, the police would take action if the rights of individuals or companies were violated.

Ackerman happy about VAT plans

BDAY 14/10/92

LINDA ENSOR

CAPE TOWN — Pick 'n Pay chairman Raymond Ackerman yesterday welcomed indications that Finance Minister Derek Keys would ease the VAT burden on basic foodstuffs next year.

Ackerman suggested that there be three levels of VAT — a zero rate for basic foodstuffs, a rate for basic commodities and a higher rate for luxury items. 30

He believed VAT on non-food goods would probably have to be increased to 12% to make up for zero-rating basic foodstuffs.

He said it was vital to give relief to the poor.

The enormous poverty and unemployment in SA was apparent in that during the past six to eight months gross sales of bread had declined 5% in volume.

Maize meal sales had also dropped.

Ackerman believed the meeting the Food Forum had held with Keys probably contributed to the change in government thinking on the VAT issue.

The forum represents food manufacturers and retailers as well as consumer bodies.

He said a feedback session to hear the reports of various Food Forum task forces investigating such issues as labour productivity and flexibility and the effect of agricultural control boards on food prices would be held in Johannesburg towards the end of November.

Maize Board blames retailers for price hikes

(30)

BDM 15/10/92

MEREDITH JENSEN

THE single-channel marketing of maize had cost the Maize Board more than R400m in the past year, chairman Jan Schabort said in an open forum in Pretoria yesterday.

Schabort explained the bulk of the cost came from borrowings which the board had incurred to pay producers.

The board had paid R242m in interest alone to pay for last year's crop, while an additional R156m was paid to store the maize in silos throughout the country. A further R18m went to the administrative costs of the board itself.

However, Schabort denied these costs were a major factor in rising consumer prices.

"Recent attacks made on the marketing boards by the Board on Tariffs and Trade as well as the Kassier committee and the Press have been an attempt to discredit the system," he said.

The domestic price of maize had remained stable despite years of both exporting and importing of the commodity, he said.

The price for maize was R495 a ton, or 50c/kg delivered by the board to millers and processors. Average retail prices closed in on R2/kg.

Maize Board consumer member Tobie van Rhijn blamed retailer mark-ups for the high cost to consumers.

"We have found that retailers contribute a large proportion to prices, much more so than the boards."

Pick 'n Pay director Richard Cohen said the mark-up was not coming from the major chains.

"It is like the bread price. The highest margins are put on by the corner cafes. In fact, we mark up well below the average on maize meal because it is a staple food for so many people," Cohen said.

According to the board, blacks consumed 94% of the maize for human consumption last year, but National Black Consumers' Union representative Dupree Vilakazi said blacks had no representation on the board.

Maize Board GM Peter Cowne said the board was considering more representation for black consumers, as well as lower prices.

"We are striving to narrow the gap between the producer and consumer price and have been monitoring retail prices ourselves," said Cowne.

Prices ~~stationary~~ 30

CNA Ltd is to give a million exercise books to more than 2 000 township schools at the start of the 1993 school year. Sowetan 15/10/92.

In a statement in Johannesburg on Wednesday, the company said because of inflation and the recession, it would also keep the price of stationery for 1993 at present levels.

Revolution in business

Sowetan 15/10/92

■ **Move away from Marxism to entrepreneurship:**

By Joshua Raboroko

A SILENT revolution is taking place in South Africa. This is the growth of small business, according to Mr Clem Sunter, chairman of Anglo American's gold and uranium division.

Addressing senior executives of 120 South African corporations in Johannesburg at the weekend, he said two trends had emerged around the world during the 80s.

These were the move away from collective Marxist ideologies and the move towards entrepreneurship.

"The fastest growing sector of the British economy is self-employment," he said.

He noted that in Khayalitsha in the Cape Province, for instance, 70 percent of dwellings had a backyard business and that the annual turnover on those 3 000 hectares of sand dunes had been estimated at R74 million a year.

"This just shows," he said, "that if we unlock the door to entrepreneurship we will find the High Road to development in South Africa."

Sunter said that a "dual logic" economy was developing in South Africa. It was necessary to have big business that could undertake the large projects and compete with big corporations in other countries.

Big business could also provide an important multiplier effect, opening the way for many local sub-contracting opportunities.

It was important to create a ladder of opportunity for all South Africans so that people of ability and ambition could climb from the bottom micro-business rung all the way to the Johannesburg Stock Exchange.

Small Business Development Corporation managing director Dr Ben Vosloo told the executives South Africa needed to cultivate a value system based on individualism, private ownership and self-reliance.

FM 16/10/92

DURBAN CBD

(30)

Slowing the migration

Office decentralisation is as much a fact of life in Durban as it is elsewhere. Nevertheless, a council campaign to visually and practically improve the image of the CBD is paying dividends by slowing the pace of office migration.

According to Sheila Williams of brokers Williams Palmer and Associates, "the council's commitment is encouraging landlords to invest in improving their own properties both internally and externally.

"In particular, the area between Field and Broad streets, known as the CBD hardcore, is undergoing extensive redevelopment thanks to this enlightened policy."

Typical of the council's visual and practical improvements, she says, is the work being done to Masonic Grove where new services are being provided. Antique-style street lamps are being installed and much of the

FM 16/10/92 (30)

area is being repaved to improve the ambience of the lane.

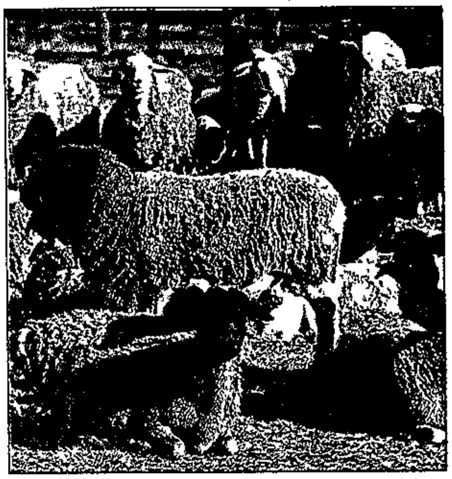
Typical of the positive reciprocal responses by property owners and landlords are:

- ☐ Ampros's R4m expenditure on upgrading the Salmon Grove Chambers at 407 Smith Street for owners, Compass Property Holdings;
- ☐ The construction of the new IGI Building on the Victoria Embankment;
- ☐ The proposed redevelopment of the Esplanade; and
- ☐ Old Mutual Properties' plans to redevelop certain of its properties bounded by West and Gardiner streets.

Projects are not, however, confined to institutional investors. Work has also started on refurbishing the interior and external facade of the eight-storey Saambou Building, at 397 Smith Street to create "upper" B-grade accommodation. The building has just been bought by a syndicate assembled by Williams Palmer, who say negotiations are under way with prospective tenants for two levels of offices which will become available when renovations are completed at the end of the year. ■

Wool Free Market's kickoff comes at a time when government is considering reforming or even ending the decades-old control-board system. In a report on food prices in June, the Board on Tariffs & Trade recommended that the boards' statutory powers be abolished. Government appointed the Kassier Committee to study the Marketing Act and the 21 control boards in more detail. The committee, chaired by Stellenbosch professor Eckhard Kassier, is expected to report in December.

Hugo, who met with Kassier last week, says: "We are not rebels — we merely seek to market and sell our product independently



Shearing season ... *time to trim government control?*

and to maximise our revenues. We would like the board and the growers' association to co-operate with us to negotiate a better deal for producers. It is ironic that producers have to ask for a change in legislation just to be able to sell their own wool."

The debate will probably simmer for the rest of the year as Hugo's group lobbies producers. If it gains enough strength it could force a vote on the issue in January at the association's Cape congress. ■

ECONOMIC DEVELOPMENT
FM 16/10/92

Pitching Durban

(30)

Is the new Greater Durban Marketing Authority what's needed to spruce up the region's image and draw in new business and tourism? Or is it another bureaucratic creation that will eat up taxpayers' money to duplicate work already being done?

The authority is a joint enterprise of public and private sectors, but its only funding has been a R6m start-up grant from the city council. It has replaced the Durban Publicity Association and its objectives are to stimulate the region's economy and restore Durban's sagging image as a tourist destination.

The authority's goal is to help create 200 000 jobs in the Durban Functional Region by the end of the decade. The region is bounded by Salt Rock to the north, Umkomaas in the south and Cato Ridge to the west.

Critics say it's just one more organisation — be it regional, provincial or local — that claims to have the answer to Durban's woes. They add that it usurps the functions of groups such as the Durban Regional Chamber of Business.

Tongaat Hulett CE Cedric Savage, vice-president of the SA Chamber of Business, says the business community fears that the overlapping work done by the many public and private agencies in the region is wasteful. He cites the provincial and KwaZulu administrations on the regional level, and the Durban Economic Development initiative and the marketing authority at the local level.

Savage says he is not bashing the authority but would like to see more communication between the various bodies.

Executive director Eric Bam says the authority's role is not merely to advertise the region to the world, but rather to make it more marketable to local and international businesses and tourists. They must be convinced that Durban offers more of what they want than elsewhere, he says.

Bam, a former Momentum Life GM, argues that the authority was created to market the region and not to challenge other organisations.

He maintains that it has broad support from commerce and industry. It was conceived by a working group at a three-day conference in the Drakensberg, initiated by Durban's late mayor Jan Venter and attended by 80 business leaders.

Last chances

One Bam supporter is David Bridgman, who heads a similar authority known as Wesgro, established 10 years ago to promote the western Cape's economic growth. "It is a scandal that it has taken so long for a city of Durban's size and encumbered with its economic problems to establish the authority.

"I cannot understand the reason for any criticism of pouring millions of rands annually into trying to strengthen the economy, bearing in mind that this is one of the last chances to get it right."

Though Bam is still setting up the authority's infrastructure, he is clearly aware of the need for quick results. Because it will be at least partially funded by the private sector, financial support from the business community should provide an early barometer of its credibility.

The authority has already launched the "Durban Unlimited" and "Miles More" promotional campaigns. And it has targeted 17 areas for attention, including beach overcrowding, squatters and tourism, as well as developments such as the Point, an international conference centre, Victoria Embankment and upgrading the airport.

Certainly these areas do need attention. But can a few new faces and the recycling of some tax money help revive Durban? Bridgman cautions against impatience: "Don't expect results in fewer than three years." ■

to the part-bond and debenture holders, whose funds are invested by Masterbond companies under curatorship. ■

FM 16/10/92 (30)

DURBAN CBD

Slowing the migration

Office decentralisation is as much a fact of life in Durban as it is elsewhere. Nevertheless, a council campaign to visually and practically improve the image of the CBD is paying dividends by slowing the pace of office migration.

According to Sheila Williams of brokers Williams Palmer and Associates, "the council's commitment is encouraging landlords to invest in improving their own properties both internally and externally.

"In particular, the area between Field and Broad streets, known as the CBD hardcore, is undergoing extensive redevelopment thanks to this enlightened policy."

Typical of the council's visual and practical improvements, she says, is the work being done to Masonic Grove where new services are being provided. Antique-style street lamps are being installed and much of the

FM 16/10/92 (30)

area is being repaved to improve the ambience of the lane.

Typical of the positive reciprocal responses by property owners and landlords are:

☐ Ampros's R4m expenditure on upgrading the Salmon Grove Chambers at 407 Smith Street for owners, Compass Property Holdings;

☐ The construction of the new IGI Building on the Victoria Embankment;

☐ The proposed redevelopment of the Esplanade; and

☐ Old Mutual Properties' plans to redevelop certain of its properties bounded by West and Gardiner streets.

Projects are not, however, confined to institutional investors. Work has also started on refurbishing the interior and external facade of the eight-storey Saambou Building, at 397 Smith Street to create "upper" B-grade accommodation. The building has just been bought by a syndicate assembled by Williams Palmer, who say negotiations are under way with prospective tenants for two levels of offices which will become available when renovations are completed at the end of the year. ■

Union suspends Checkers sit-in

JOHANNESBURG. — Sixteen South African Commercial Catering and Allied Workers Union (Saccawu) officials agreed yesterday to suspend their sit-in at the Checkers head office here. (30)

Saccawu member Mr George Thobakgale said they would meet management today to discuss a long-standing issue and hoped to negotiate the reinstatement of more than 120 workers.

The union began the sit-in on Wednesday to protest against last month's dismissals of 65 workers. — Sapa

CT 16/10/92

Boycotters found guilty

(30)

South 17/10 - 21/10/92

By Diane Coetzer

FOUR ANC Youth League members have been found guilty of intimidation after they distributed a pamphlet during a consumer boycott in Richmond last year.

The four, Zongezile Qali, Silindele Khobo, Jeffrey Njinini and George Thomas, were sentenced to two years imprisonment — suspended for five years — in the Victoria West Regional Court last week for distributing a pamphlet in the townships.

The convictions arose from an incident in November when three workers at the Richmond Supermarket were fired for taking part in the two-day national stayaway in protest against the introduction of VAT.

Despite attempts by ANC and the civic to mediate, the workers were dismissed on November 7.

In response, the community decided to boycott the supermarket and a pamphlet was produced and distributed.

An appeal is to be lodged against the sentence.

Classy ideas follow a week-long focus

South 17/10-21/10/92 (30)

WINNER: Kenneth Sibaca (left) receives the SBDC Emergent Entrepreneur of the Year award on behalf of Zamani Butchery in Khayelitsha, from SBDC regional general manager Wolfgang Thomas

THERE was something for everyone during last week's national Small Business Week, but the focus on small business development will not stop there.

Small Business Development Corporation (SBDC) senior manager in the Western Cape Mr Johan Naude says SBDC staff are considering several ideas generated during the week to promote small business.

In particular, the SBDC would like to do more to encourage the involvement of school pupils in small business development.

The sector would probably have to provide jobs for the majority of school-leavers in future — and the sooner the pupils start "thinking business", the better their chances of succeeding.

"Although we received more entries this year for our youth entrepreneurship awareness competition, we only received entries from 17 of the 180 schools canvassed," says Naude.

"We will obviously have to do more to involve the schools next year."

SBDC would also have liked to have had crafters demonstrating how they make their goods at the Small Business Week launch at the Victoria & Alfred Waterfront. Permission for this could not be obtained. It hopes to have better luck next year.

20 South business

October 17 to October 21 1992

Small business faces tough times — mayor

(30) South 17/10-21/10/92.

THE leading role the small business sector can play in revitalising the economy was a major theme of the Small Business Development Corporation/Southern Small Business Week which ended on Saturday.

But small businesses face tough times as the recession lingers, and need support if they are to survive and thrive, a joint SBDC/SACOB survey showed.

This was stressed by Cape Town mayor Mr Frank van der Velde at the launch of the Western Cape Small Business Week programme at the Victoria & Albert Waterfront.

"The political challenges facing the new South Africa are huge, but the economic problems to be overcome are equally daunting," said Van der Velde.

"The economic challenge facing South Africa in the nineties is to turn around the progressive deterioration in economic growth, living standards, job creation and inflation, as well as the relative deterioration in per capita income.

"The simultaneous challenge is to narrow the wide disparities in income and wealth in South Africa, but in such a way that the fundamental ability of the economy to create employment and higher living standards is not undermined."

As experience in other countries showed, an important way to boost the economy was to stimulate the informal sector and small business.

"It is ultimately medium, small and informal business that will make or break our unemployment and growth challenge," said Van der Velde.

He highlighted several areas which would need particular attention to ensure they were able to meet the challenge facing them.

"With the promulgation of the New Business Act, deregulation of informal sector enterprises has entered a new era with direct controls reduced to the minimum.

"We now have to co-operate with informal sector operators and their lobbies to reach compromises on important side issues like traffic control and the prevention of nuisance effects of informal markets and street vendors."

He said it was unfortunate that little, if any, progress had been made in establishing job creation hives on the Cape Flats. He urged SBDC and council officials to explore practical steps towards more low-cost production units near residential areas in working class suburbs.

Council officials should also pay greater attention to subcontracting out some purchases to the small business sector, and to implementing some job creation proposals developed by the council's City Planning Department.

There was criticism that the Small Business Week was launched at the V&A Waterfront, which is seen in some circles as being elitist and "for white business only".

Van der Velde acknowledged this criticism, adding that black informal sector operators had appeared reluctant to come forward as prospective tenants. This had been either because rentals were high or because of tough competition from experienced operators — but there had been changes.

"Black crafters now form a regular component of the weekend craft market while the SBDC has just finalised the rental of premises in the new permanent craft market, earmarking its space for emerging black crafters."

There could be no doubt, however, that the V & A development had been a major boost for small business development in Cape Town.

"Most of the 170-odd new shops in the Victoria Wharf block will be run as small businesses, be they franchises, subsidiaries of national chains or independent enterprises."

The first joint SBDC/SACOB survey of small businesses released this week found that confidence was faltering in the sector because of the recession.

Most respondents were pessimistic about the prospects for business over the next 12 months, with the retail sector showing the highest proportion of pessimism. Most small business owners/managers did not expect to increase investment over the next 12 months, but 57 percent did not plan to cut back on jobs offered.

Most also expected production costs to increase, which they said they would have to pass on to consumers. This suggests inflationary pressures will remain.

Most respondents remain worried about the political situation, with 57 percent saying they expected this to contribute to a deterioration of business conditions.

SA entrepreneurs gain support

BLACK South African entrepreneurs and small businesses are gaining more local and international support because of the annual Matchmaker business fair. C/Press 18/10/92 (30)

More than 150 black companies are to exhibit their services and goods to multinational and co-operate companies at the annual trade exhibition organised by the Matchmaker services (MMS).

The fair will be held at Nasrec, Johannesburg, from Wednesday to Saturday.

BUSINESS DAY, Monday, October 19 1992

Firms pin hopes on year-end

B/DAY 19/10/92 (30)

GERALD REILLY

PRETORIA — Many small businesses are relying on increased spending during the Christmas period to help them limp into 1993, says the Information Trust Corporation (ITC).

However, leading retailers say there is little hope of a real increase in total spending compared with last Christmas.

An ITC spokesman said spending last Christmas failed to live up to merchants' expectations, with sales values declining in real terms.

Many Christmas credit sales had culminated in a flood of debt summonses. The trend would repeat itself again this season unless merchants exercised great care in granting credit.

The rush to buy would be late, as many companies would wait as long as possible before awarding staff 13th cheques. Purchases were likely to consist mostly of low-value items.

Greater unemployment — particularly in areas where gold mines had closed — would affect turnovers severely.

OK Bazaars deputy chairman Gordon Hood said: "I'm afraid we won't see a very exciting Christmas. The recession has continued, unemployment is still rising and consumer confidence is at a low ebb. Inflation has also bitten deep into disposable incomes." Real growth was unlikely.

Pick 'n Pay chairman Raymond Ackerman said he expected his chain's Christmas turnover to be up between 10% and 13% in nominal terms in spite of the depressed state of the economy.

In the first six months of the year turnover was up 10% percent — lagging by between 4% and 5% in real terms compared with the same period last year. However, October figures were expected to present a brighter picture, and it was hoped that this trend would continue during December. He expected a significant drop in food price inflation to be reflected in CSS figures for October and November.

Saccawu threatens boycott (30)

THE South African Commercial Catering and Allied Workers Union (Saccawu) may launch a countrywide consumer boycott if Checkers/Shoprite management fails to address the workers' grievances, the union's education officer, Mr Salim Vally, said.

The threat follows the dismissal of over 70 workers at the company's store in Heidelberg last month, Vally said. Sowetan 19/10/92

Checkers said the company would address the problem in the interest of all its 20 000 employees.

BDay 19/10/92.

SA chain makes good Zambian link

(20)

LUSAKA — A SA food chain has established a market in Zambia to supply a variety of foodstuffs to state institutions and wholesale outlets.

Nutritional Foods financial director Charles Akeroyd said state supermarkets in Lusaka and Ndola were some of the consumer outlets for his company's food products.

"The potential for business in Zambia is limitless. (260 ~~232~~)

"We have the goods that Zambians want — the business climate is very good," Akeroyd said. (186 ~~220~~)

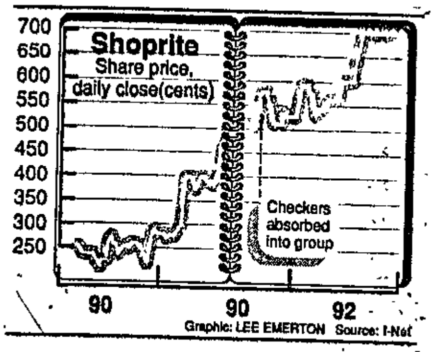
Nutritional Foods is owned by JSE-listed Merhold. (279A ~~314B~~)

It specialises in supplying soups, bredies and gravies, cold and hot drink powders, desserts and soya mince blends. — Sapa.

Tradegro results reflect turnaround

B/DAY 22/10/92 (30)

MARCIA KLEIN



TRADEGRO, the holding company of Shoprite and Checkers, has reported a R15,1m profit before extraordinary items in the six months to end-August on the back of a turnaround in the group's supermarket activities and extensive restructuring.

But a R165,9m extraordinary item, representing the once-off write-off of the trademarks and goodwill bought with the acquisition of Shoprite and some butchery activities, saw it show a net loss of R150,8m for the period.

Last year Pepkor acquired Tradegro and restructured its food retailing interests. In terms of the restructuring, Pepkor subsidiary Shoprite was sold to Tradegro for R177,3m, and Tradegro became the food retailing arm of the Pepkor group.

Group MD Whitey Basson said yesterday that results reflected a turnaround of R60m over the previous eight-month reporting period "during which a loss of R45m was reported and during which Tradegro was acquired by Pepkor".

A change in the year-end from June to February as well as changes effected within Tradegro — including the sale of Metro Cash & Carry and Smart Centre — made comparisons tenuous, Basson said.

But if the group's supermarket activities were singled out, Shoprite/Checkers showed a profit of R10,6m compared with a loss of R13,4m in the same period last year. Sales at Shoprite/Checkers stores increased by 10,8%, accompanied by a growth in market share, he said.

"This growth was achieved through the

☐ To Page 2

Tradegro

B/DAY 22/10/92. (30)

☐ From Page 1

narrowing of gross profit margins which allowed R12,6m to be reinvested in the business."

In the six-month period, turnover was R2,5bn and operating profit was R17,4m.

The R15,1m after tax profit compared with a loss of R44,6m in the eight months to end-February and a loss of R66m in the six months to end-June 1991.

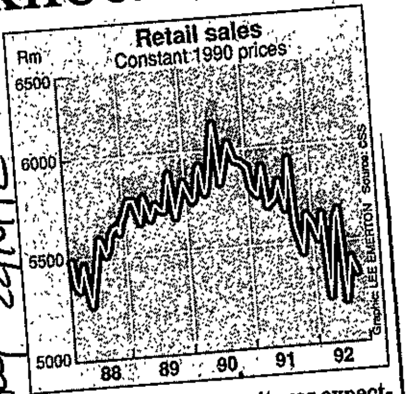
The group earned 32,8c a share after showing losses of 20c in the previous periods. No dividend was declared, but Basson said Tradegro expected gearing to improve considerably in the second half.

"Our positive expectations for future trading are supported by the benefits we are reaping from our marketing strategy, the consolidation of the group's administrative systems, reduced stock losses and the completion of the decentralisation and dissolution of a large head office function." Tradegro would focus on continuing to increase market share.

Mass action knocks sales

MARCIA KLEIN
and HILARY GUSH (30)

BD 22/10/92



MASS action in August resulted in retail sales plunging by 10,2% in real terms compared with August 1991.

Central Statistical Services (CSS) figures released yesterday showed retail sales of R6,85bn were only 2,9% higher than August 1991 and 1,2% lower than July in nominal terms after seasonal adjustment.

The largest declines were inedible groceries, 21,9% down, and perishable and processed food products, which decreased by 17,3%.

Economists were not surprised by the persistently low levels of retail sales — which, they said, continued to reflect the poor state of the economy.

They expressed concern, however, that real sales of perishable and processed food products had fallen 17,3% in the year to August, while the country's population was growing at around 3% per annum.

Analysts attributed the falling food sales in the retail sector to swelling informal sector sales — not accounted for in the official CSS data.

They said that sales in non-durables were not made up following the week of mass action, so it was expected groceries would be hardest hit.

In its latest Economic Review, Standard Bank predicted that private consumption expenditure (PCE) would contract this year, for the first time since 1985, with a sharp decline in durable goods spending.

The review said that PCE had fallen at annualised rate of over 3% in the first two quarters of this year, as against an average PCE growth rate of 2,1% over the past decade.

Credit and hire purchase transactions declined by 7,6% and 6,9% respectively, while cash sales decreased by 0,5%.

COMPANIES

McCarthy remains confident

THE merged McCarthy/Prefcor Holdings group was 10% behind budgeted profit in the first quarter of its financial year to end-June 1993, but chairman Brian McCarthy was confident forecasts would be met provided economic and political considerations did not deteriorate further.

He told the group's AGM in Durban yesterday that if both organisations met budgets which were in line with last year's profits, group earnings a share would rise to 70,2c from 50,9c the previous year.

National new car sales were 7% lower than the previous year and group sales were down by a similar margin. The Toyota strike also affected sales at the group's 25 Toyota dealerships.

Prefcor's July and September performance was satisfactory, but stayaways and mass action hurt business in August. Prefcor chairman Terry Rosenberg said turnover showed little growth in August but September turnover was up 19% over August and margins up 1%.

EDWARD WEST (20)

Prefcor featured on the JSE yesterday — a day after the merger was approved — in a special bargain deal of 690 800 shares worth nearly R2m at the ruling 300c.

McCarthy traded 5c higher at 345c, lower than its yearly high of 545c on December 7 1991, but higher than its yearly low of 300c on August 31 1992.

Analysts said the market had not reacted favourably to the merger, with part of the problem being the apparent lack of synergies to the merger and the fact that the motor and furniture industries were under recessionary pressure.

However, McCarthy said the merger was well received by its shareholders.

Synergies included the fact that both companies sold products that required financing and their combined turnover would ensure more creative and easier financing. The use of a single mainframe computer would also be a saving.

B/Day 21/10/92

Nafcoc in plans for the future

(30)

Sowetan 22/10/92

■ **Plan for next two years:**

THE role of black business in the South African economy will be discussed at the seventh biennial Nafcoc summit to be held at the Wild Coast on October 23 to 25.

Nafcoc president Mr Archie Nkonyeni said the association was reorganising and restructuring to meet the challenges of political change.

He said: "We must be proactive through a professional structure which participates and communicates in both the South African economy and in regional African affairs of the sub-continent."

The summit will review and set policy for the black business organisation for the next two years.

Another important issue will be to set guidelines for the implementation of a special programme aimed at accelerating black advancement.

"As long as the legacy of the apartheid economy remains, Nafcoc will press for economic programmes designed to bring black business closer to mainstream economic activities," Nkonyeni said.

Also attending will be Nafcoc's national executive and representatives from the organisations's regions, commercial, transport, industrial and agricultural sectors.

R70m spent in local townships monthly

(30) CT 23/10/92

BOOMING BUSINESS ... Spazatainer partners Mark Hoffman, Dave Jacobs and Tony Malan pay a visit to a newly installed container-shop in downtown Nyanga.

By ARI JACOBSON

AT LEAST R70m is being spent in the largely impoverished western Cape townships each month.

So said Spazatainer partner Mark Hoffman, as we toured Guguletu, Nyanga and Khayelitsha yesterday.

The spaza-container — a container-type shop which sells basic foodstuffs — has been recently introduced to these areas and as Hoffman mentioned "the advantages over the traditional spazas is that it's leak-proof and introduces a scheme, once the spaza is paid up, for the owner to participate in the advertising revenues collected."

"We have already sold 11 and have orders that are far too great to meet," says Hoffman.

Those who advertise have a monthly commitment which for them is a way of building up business.

The Spazatainer partnership consists of Hoffman (who in the early 1960's, with Jack Goldin, sold seven Pick 'n Pay stores to the now chairman Raymond Ackerman), Tony Malan, an ex-director of Clicks, and Dave Jacobs, who conceived the concept.

Jacobs had spent 14 years distributing foods in the townships and realised there was a need for well-contained, easily affordable shops.

"I used to distribute to shops that were knee-deep in water after heavy rainfalls," recalls Jacobs.

Alan Commaille of Lipton's, which advertises and distributes products such as Joko tea, Van Riebeeck coffee and Oxo cubes in the township, pointed out: "The wholesale stores are not successful in marketing our new products, which the spazatainers achieve by taking the product into the heart of the township."

Jacobs reckons that advertising by a well-known brand name is linked to social upliftment by the local folk, and this in turn spurs sales.

But Commaille mentions that there was a difficulty in drawing people away from traditional purchases.

"We were unaware that our product range had lost ground among the masses and that here was a need to get to the centre of this market."

He said a concerted marketing drive would now build product exposure: "This is the major market of the 1990's".

And with such emphasis being placed on providing goods and services — prosperity may yet be brought to these poorer urban areas.

Drop in spending hits 'recession-proof' Pep

BDM 23/10/92 (30)

MARCIA KLEIN

PEP Ltd, the major clothing, footwear and household goods arm of Pepkor, reported a marginal rise in net profit to R43,5m (R42,7m) in the six months to end-August as consumer spending in semi-durables declined in real terms.

Group MD Tony Haughton warned that the situation was deteriorating further as a result of the drought and an increasing level of unemployment.

The results excluded those of the 124-outlet Ackermans, which was sold to parent Pepkor for R85,5m effective from March 1, Haughton said.

Pep also sold 27 Frasers Mines Stores outlets, opened 24 Pep Stores and closed eight.

The Ackermans disposal resulted in an 11% decline in turnover to R679,5m from R765,5m, but Pep increased its operating profit by 7% to R76,9m (R72,1m).

Haughton said this was a result of a higher level of investment in operating assets and the R40,1m acquisition of property following the reorganisation of Pepkor's interests.

The higher interest bill saw pre-tax profit decline by 4% to R67,1m (R69,9m), and after lower taxation, profit after tax was 2% higher at R44,5m (R43,6m).

Earnings were marginally higher at 18,9c (18,7c) a share, and a 10% higher interim dividend of 7,5c (6,8c) was declared, with the cover lowered to 2,5 times.

In June Pep listed its Botswana operation on the Botswana Stock Market.

An increase in outside shareholders' interest was due partly to the 30% minority interests in the Botswana group's profits.

Haughton said there had been a change in accounting policy, and certain associates were now treated as subsidiaries, and their profits were consolidated.

He said the results were achieved under extremely difficult trading conditions, and there were no indications of an improvement in the second half.

The drought and increasing unemployment would see consumer spending decline further. In this light, Pep would maintain market share and earnings would equal those of the previous year.

Analysts said yesterday the results were disappointing in light of Pep's track record of excellent growth, and reflected the extent of the downswing in consumer spending.

Pep, which has more than 1 000 outlets, was targeted at the lower to middle income groups. Its strategy of catering for the basic needs of the mass market, with low prices and unadorned stores was considered built-in protection against recessionary conditions.

Analysts said it was difficult to determine Pep's performance given the change in the group's interests.

FM 23|10|92 (30)

COMPANIES FM 23|10|92

McCARTHY GROUP (30)
FM 23|10|92

Stymied by poor market

A close look at financial 1992 goes some way towards justifying the merger with Prefhold. Simply put, McCarthy seems to have done all it can to keep growing in a declining market and shrinking economy. The Prefhold link, with the mainly black market it caters for, may be the only way to go.

McCarthy is well diversified in both the range of vehicles sold and related services. This helped grow market share, by 1,1 percentage points to 13,7% at a time when the new vehicle market fell by 15%.

Two obvious benefits of diversity stand out. MD Theo Swart says by holding franchises for just about every type of passenger vehicle, McCarthy picks up the benefit of customers buying down, which has shifted the sales profile through the recession to a point where small cars now make up 73% of national sales (1982: 49%).

Swart notes that small cars often include the same luxury features as bigger models. Profit margins, he says, have not necessarily been hit by buying down.

With disposable incomes and savings under pressure, motorists put off buying new cars. Again, McCarthy picks up a benefit through cars having to be serviced and parts replaced, more often.

Consequently, the service division was the only one to achieve real growth. And here margins are attractive, with the mark-up on spare parts higher than on cars.

But McCarthy could not escape the stagnant market. Turnover grew by an impeding 6%; operating margin, at 3,4%, was the lowest since 1987; and earnings slumped 15%

FM 23|10|92 (30)

(though R6,5m was a one-off payment for underprovision of tax; without this earnings would have been marginally under 1991's).

Strong balance sheet

McCarthy took advantage of its strong balance sheet to make a number of acquisitions, which should strengthen its platform for growth when the economy improves.

These cost about R72m and include two Toyota dealerships in the UK. Swart says while the UK economy is hard to judge, also being in deep recession, the traditional August boost to new car sales (the new car registration month in the UK) was encouraging. Profits should come through foreign acquisitions this year, though at low levels.

This month, the group officially announced it's acquired the assets of Budget Rent-A-Car. Swart says this offers exciting possibilities, though some reorganisation is expected.

The acquisitions increased net borrowings to nearly R80m and consumed most of McCarthy's considerable cash pile, which in 1991 stood at R71m, about 13% of total assets. Cash has now been reduced to R17,8m, pushing out the debt:equity ratio, though it is still manageable.

The taxman did his bit by disallowing deferred tax claims of R41m; still, accounting remains conservative and the balance sheet is in pretty good shape.

continue

(30)

Chairman Brian McCarthy says in the face of a further decline in the new vehicle market, the group plans to maintain earnings by stringent cost control, which comes back to the merger with Prefhold as the only likely way of growing earnings.

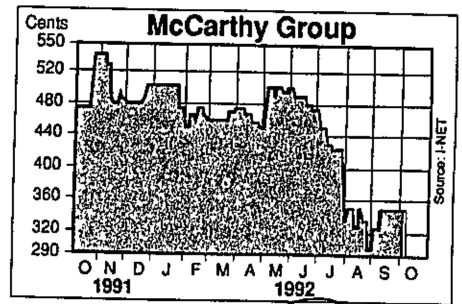
Under the proposed structure, McCarthy will still focus on retailing vehicles. Swart says, however, that apart from financial and administrative benefits flowing from the merger, Prefhold's large black client data base offers potential.

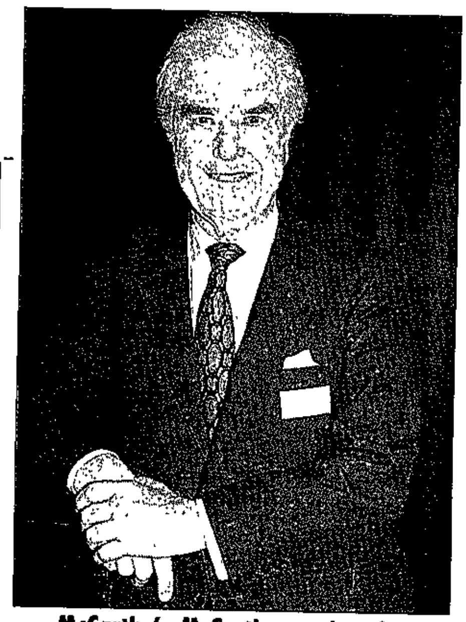
So far, the market has not reacted favourably to the merger, with McCarthy's share price dropping since it was announced, though it has recently made up some ground in active trading. If the group can show that it can tap into Prefhold's market, the price could well improve.

Shaun Harris

Activities: *SA's largest motor retailer.*
Control: *Anglo American Corp 36,9%; McCarthy family 11,5%.*
Chairman: *B McCarthy; MD: T Swart.*
Capital structure: *86,9m ords. Market capitalisation: R304m.*
Share market: *Price: 340c. Yields: 6,2% on dividend; 15% on earnings; p:e ratio, 6,7; cover, 2,4. 12-month high, 545c; low, 300c. Trading volume last quarter, 1,22m shares.*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	20,3	23,3	2,4	80,4
LT debt (Rm)	17,4	17,8	20,7	16,5
Debt:equity ratio	0,17	0,12	—	0,29
Shareholders' interest	0,38	0,40	0,41	0,46
Int & leasing cover	4,5	3,3	5,4	3,8
Return on cap (%)	22,1	21,0	18,4	17,2
Turnover (Rm)	2,38	2,74	2,89	3,07
Pre-int profit (Rm)	98	98	102	104
Pre-int margin (%)	4,112	3,57	3,54	3,37
Earnings (c)	61,7	58,6	59,8	50,9
Dividends (c)	21,0	21,0	23,5	21,0
Net worth (c)	196	212	232	285




McCarthy's McCarthy . . . *benefits of diversity*

Big protest at store likely

30

DIRK HARTFORD

THOUSANDS of people are expected to march on Heidelberg's Checkers store today in protest at the dismissal of the store's black workforce three weeks ago, after an illegal strike.

And a national consumer boycott of the Checkers-Shoprite group is scheduled to start on November 1.

SA Commercial, Catering and Allied Workers Union (Saccawu) spokesman Salim Vally said talks with Checkers management broke down this week when Checkers refused to discuss reinstating the dismissed workers.

Saccawu also wants more than 100 workers — dismissed in the eastern Cape in the late '80s — to be reinstated in terms of an agreement Saccawu says it has with Checkers. BDAY

But Checkers was only willing to discuss flexibility arrangements and retrenchments, said Vally.

Today's march from Ratanda — the township outside Heidelberg — is expected to be supported by Ratanda's residents.

Checkers would not comment yesterday on an "internal matter". 23/10/92.

IN SEARCH OF QUALITY

(30)

FM 23/10/92

Two major trends have emerged from office leases brokered in northern Johannesburg and Sandton over the past year. Property broker RMS Syfrets says rents are increasing and, with tenants now demanding discounts on older buildings, the rental difference between them, roughly 15%-20% a year ago, has increased to 25%-30%. This can be attributed to an oversupply of new space.

The second trend, according to RMS Syfrets commercial broker Adam Blow, is that better rentals can be negotiated with tenants up to about the 700 m² mark.

One reason is that tenants want good locations, quality and proximity to their homes — for which they will pay the premium. Location and quality are still factors in the decision-making of larger firms, which take space of 2 000 m² or more, but accessibility for all staff is placed before personal preferences. Thus lower rents have to be offered. Yet, because such moves are traditionally planned well in advance, leases are also longer, typically 10 years or more. This often compensates for the lower rental.

Johannesburg's Hyde Park and Illovo are emerging as sought-after commercial areas. Schemes such as 257 Oxford Road and Hyde Park Lane are popular, Blow says, because designs allow for individual lobby and ablution areas for the medium-sized tenant.

The broker recently placed Sagenta Trade Corp in a 700 m² office suite in Hyde Park Lane near William Nicol Highway. This new R55m Southern Life office park will be completed early next month. So far 30% of the space is let. Tenants include Standard Bank (1 800 m²) and Hyde Park Lane contractor Grinaker Construction (1 300 m²).

The development consists of six separate two- and three-storey buildings, ranging from 1 800 m² to 2 800 m² in Georgian-style architecture. Southern Life says companies in the airline, property, development, publishing and consultancy businesses are interested.

Hyde Park has two other new office complexes under construction off Jan Smuts Avenue:

- ☐ Centre City Property Fund-owned Hutton Court (1 600 m² retail and 3 300 m² offices, all still to be let); and
- ☐ Time Life's new HQ (4 000 m² of offices).

Oxford Manor in Illovo has only 1 200 m² still to let. RMS Syfrets has placed Alitalia (500 m²), Peltours (300 m²), Egypt Air (620 m²), UTA (585 m²) and Air Afrique (400 m²) in the complex. Malaysian Airways (about 700 m²) has also taken space but not through RMS Syfrets. Nearby, at 257 Oxford Road (2 600 m²), RMS placed Singapore Airlines (1 700 m²) this year.

Cape development moves in the pipeline

South 24/10 – 28/10/92 (30)

MOVES to co-ordinate and strengthen economic development in the Western Cape are expected to crystallise this week when a special steering committee reports on the planned Western Cape Economic Development Forum.

The brainchild of WESGRO's "Growing the Cape" project, the forum is seen as essential for broad consensus on methods to stimulate the Western Cape economy.

The steering committee has examined how the forum could operate since a "Growing the Cape" workshop in April to formulate strategies in various growth areas identified by WESGRO.

The workshop was attended by 350 people from organisations in the Western Cape, including business groups, trade unions, civic associations and parastatals.

While progress was made in agreeing on areas where action was needed, it was difficult, in a day, to reach consensus on strategies for action. It was mooted that a Regional Economic Development Forum could identify these strategies and monitor their implementation — and the steering committee was appointed to see how this could be established.

The committee will report on its findings on Thursday and give details of the organisation structures, operational procedures and information on the main players and the date of the launch of the forum.

The Cape Town Chamber of Commerce recently reported that another development has been a suggestion to establish a regional development corporation.

"It is proposed that the corporation should be run on business lines, and that, wherever possible, economic functions should be undertaken by the private sector," said the chamber's September 25 Business Bulletin.

"The corporation's task would be to supplement, stimulate, support or otherwise enhance regional development by the private sector in order to achieve the full potential of the region's growth and broaden development opportunities for disadvantaged groups in the region.

"The organisation would focus on the channeling of funds and the initiation or facilitation of development supporting action in the broader business sphere, leaving the funding of basic social and physical infrastructure services, such as low-cost housing, education, transport as well as the urban infrastructure and welfare services, to national and regional government departments, local authorities and/or specialist implementation bodies."

The chamber said it was proposed the corporation should get involved in:

- Sector- or industry-based development support, including planning and monitoring of sub-sector strategies, co-funding of development projects and lobbying for growth-inducing policies.
- Mobilisation and channeling of venture capital for high-risk projects.
- Funding and broader-based development support for informal sector activities.
- Assistance with special job creation-projects.
- Facilitation of local and/or sub-regional development strategies and programmes.
- International and countrywide marketing of the region.
- Initiation, activation and support of regionally-based development research.

It was suggested the corporation could get funding from various sources, including the Development Bank of Southern Africa, public and private sector organisations, foreign donors and the issues of debentures.

Affirmative action at V & A Waterfront?

S Times (Cape Metro) 25/10/92

By EVE VOSLOO

(30) (186)

AFTER two further meetings with political organisations concerned that Cape Town's waterfront is "all-white", the Victoria & Alfred Waterfront Company is considering "some kind of affirmative action".

Mr Basil Davidson, ANC regional executive committee member dealing with development-related issues, said this week that he had recently had a second meeting with the V & A company's director, Mr David Jack. The first meeting was reported in the Cape Metro in June.

Mr Davidson said Mr Jack had agreed to a future meeting with concerned organisations — which Mr Davidson undertook to arrange — to discuss affirmative action.

"I am merely acting as a facilitator," Mr Davidson said. "Groups like the Western Cape Traders Association and some of the unions should become directly involved."

Mr Barney Desai of the Pan Africanist Congress said this week that he had recently accompanied well-known Cape Town businessman Mr A K Pier to a meeting at the waterfront "to discuss contributing to the development there".

"I discovered that apart from one takeaway run by a black woman the rest of the development seems to have fallen into the control of one ethnic group," Mr Desai said.

"Since it is on state land we feel very strongly that there should be broader community participation and that all projects should have been put out to tender."

The director of the Waterfront, Mr David Jack, said this week that the meetings had led to a better understanding.

"We recognise that the issues raised are pertinent and they will be addressed," Mr Jack said.

Shop boycotted (30)

THE Zuurbekom branch of the Pan Africanist Congress yesterday started an indefinite consumer boycott of a local shop whose owner is alleged to be involved in the killing of an 11-year-old boy two weeks ago. Sowetan

Pakiso Modise died after he and his friend were viciously beaten with sticks and an iron rod allegedly by white businessmen for having stolen sweets and money from a shop. 26/10/92.

Yesterday, an open-air residents meeting called by the PAC decided on a consumer boycott to

Sowetan 26/10/92 (30)

pressure the owner of OJ Takeaways. - *Sowetan Reporter.*

New-look Pepkor beats tough times

BDAY 28/10/92 (30)

MARCIA KLEIN

PEPKOR reported real earnings growth in the six months to end-August despite a difficult trading environment and major restructuring within the group.

Fully diluted earnings rose by 16% to 27,7c (23,9c) a share as the group's companies increased market share and managed their assets well, chairman Christo Wiese said. Results were also lifted by increased investment income and lower taxation.

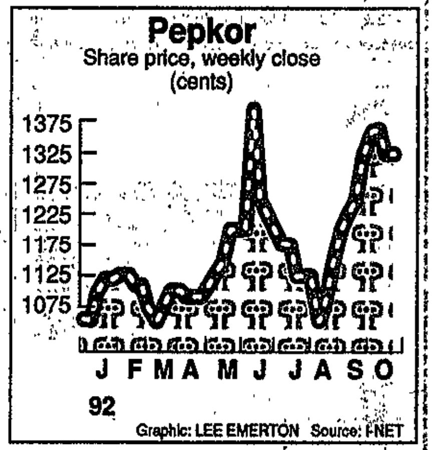
Comparisons with the previous period were complicated by the acquisition of Tradehold and the group's restructuring.

During the period, Tradehold became the holding company of food retailing interests Shoprite and Checkers, Pepkor sold all its properties to the operating companies which occupied them and subsidiary Pep Ltd sold Ackermans to Pepkor.

In addition, the period covered 26 trading weeks compared with 27 in the previous year.

The inclusion of Tradehold was reflected in a 172% turnover rise to R3,7bn from R1,4bn, but Wiese said difficult trading conditions had produced "unsatisfactory turnover growth" at a trading level.

Operating profit grew by 12% to R96,6m (R86,5m). All of the group's operating companies "increased market share and achieved positive growth through stringent asset management", Wiese said.



After a 73% rise in investment income to R20,6m, and a 26% increase in finance charges to R28,6m, pre-tax profit was 17% up at R88,6m. An increase in interest-bearing debt — as well as fixed assets — reflected a change in accounting policy with regard to the consolidation of subsidiaries and the treatment of leased assets.

After a 14% reduction in taxation to

□ To Page 2

Pepkor

BDAY 28/10/92 (30)

□ From Page 1

R27,3m, profit after tax rose by 42% to R62,2m. But a sharp increase in outside shareholders' interest resulted in a 25% increase in profit before extraordinary items to R45m from R35,9m.

Pepkor declared a 13% higher dividend of 8c (7,1c) a share, as well as interest of 10,8c per 6% unsecured debentures.

Wiese said Pepkor had progressed "further than expected" in returning the food interests to a satisfactory level of profitability, but he said it was allowing another two years "to achieve a sustainable profit performance in this division".

Pepkor had hoped its food retailing interests would break even by the February 1993 year-end, and was "somewhat ahead of that objective". The supermarket interest had shown operating profit of R10,6m compared with a previous R13,4m loss.

Clothing retailer Pep Limited, whose net profit grew by 2% to R43,5m, was affected by the real decline in consumer spending in the semi-durable market.

Pep was currently operating more than 20 retail clothing outlets in Scotland, and expected to increase this by another 10 outlets by year-end.

Wiese said Pepkor had "great plans" for the overseas operation. Although acceptance of the group's products was better than expected, the winter period of eight months caused logistical problems.

Smart Centre, which reported a 16% rise in net profit to R2m, had an excellent six months.

Forecasts 'can ease Durban vacancies'

B/DAY 28/10/92. (30)

ANDREW KRUMM

TO BREAK the boom and bust cycle of development in the Durban office market, developers should invest in more forecasting, commentators say.

The latest SA Property Owners' Association (Sapoa) survey has Durban at the top of the national list of CBD office vacancies, with more than 30% of its A-grade office space unlet.

In the Johannesburg CBD 7,3% of A-grade space was vacant followed by Cape Town (11,8%) and Sandton (12,6%).

One source said accurate forecasting would help developers predict the upturn more readily, instead of adding to an oversupply in recessionary times.

He said the lack of forecasting contributed to the boom and bust development cycle in Durban.

"Office development in Durban occurs in bursts. Institutions and developers notice there is a dearth of available office space. Then they all begin planning at once, resulting in oversupply when these developments come on line."

Property economist Erwin Rode said: "It is evident that from time to time developers get their forecasts wrong. It is very difficult to do five-year forecasts, given the volatility of the SA economy."

But, he said, it was fair to say developers in Durban were getting their forecasts wrong most of the time.

"Not enough money is spent on forecasts, or listening to forecasters."

Another source said some of the newer buildings in Durban should never have been built.

"It seems the institutions were expecting demand for larger areas. This has not come about."

Rode said the difference in the ratios of A-grade to B-grade space in Durban (1:4) compared to Johannesburg (2:1), was not significant, and highlighted the problem of defining building grades. "What is defined as grade C in Johannesburg might be regarded as grade B in Durban."

RMS Syfrets director Kevin Dunkley, who chaired the Sapoa survey, said the figures should not be exhaustively analysed and held as an accurate indication of what the market was doing.

"We divide buildings into A and B grades for the survey, but the top end of the Durban market includes both categories. That is, the market lumps prime properties together, crossing the A- and B-grade dividing line at will."

Dunkley said that when these two grades were combined, the level of vacancies in prime property in the CBD fell from a severe 30% to just over 12,5%.

He added that the Durban CBD was a small office node, so when a single large development came on stream in a recessionary climate — such as the Sanlam Properties Embassy office block — vacancy statistics were distorted.

Sacob convention backs federal political solution

BIDM 28/10/92 30

SHARON WOOD

DURBAN — Organised business put its weight behind a federal political solution here yesterday.

Chambers of commerce from across the country unanimously endorsed the Durban Chamber of Commerce's proposal for federalism at the Sacob convention here yesterday.

A spokesman for the Durban Chamber said a federal system was the only viable option for a stable and prosperous SA.

"A unitary system has not served the country well in the past ... centralised power is unhealthy and will be easily abused."

The chamber proposed a form of federalism where regional powers were constitutionally entrenched and could only be amended by a specific constitutional mechanism, such as a two-thirds majority.

Decisions made at a local level would be more efficient and effective and would be closer to the people being governed. There would also be better utilisation of resources at a regional level.

Constitutional Development Deputy Minister Tertius Delport endorsed the motion. He said both vertical and horizontal distribution would inspire confidence.

He added government wanted to see multiparty negotiations back on track because they were the only route to developing a new constitution.

The government was ready to start drafting a new constitution which would be structured on national, regional and local levels.

Finance Department director-general Gerhard Croeser also endorsed the Durban Chamber of Commerce motion. He said the crux of the problem had been the centralised system of financing.

Croeser added someone would have to oversee and facilitate the distribution of resources and there would have to be some form of redistribution to poorer regions.

The Durban Chamber proposed a two-tier system of financing. A central government structure would disburse funds nationally to the lesser privileged sectors of the community. But regions would have to have a reasonable degree of financial independence.

The Pretoria Chamber of Commerce called for the implementation of a foreign trade policy and implementation of the major elements of the IDC report on modifying protection policy. This motion was also unanimously accepted by delegates.

A spokesman for the Pretoria Chamber said there was insufficient co-ordination within trade policy and the current reliability of export incentives could be doubted.

Long-term export success was going to depend on the availability of internationally competitive products and the stimulation of a broad-based export culture.

Trade and Industry director-general Stef Naude said industrial and trade policy would have to be managed very carefully and cautiously because there was a limit to the pain a country could take.

Week of November, ...

Commercial crime: 31 suspects arrested

BIDAM 28/10/92.

PRETORIA — The SAP's Commercial Branch arrested 31 people countrywide from October 12-19 on charges of commercial crime involving about R30m.

The SAP's liaison department said yesterday those arrested included two directors of a group of companies under liquidation.

Commercial Branch head Maj-Gen Martin Nel said commercial crime largely went unnoticed by the media and the public. Between 1987 and 1991 the number of cases reported to police had increased by 70%. (20)

In the Witwatersrand area the Commercial Crime Unit was investigating more than 900 fraud-related cases involving several billion rands.

"We need the media to take up the public outcry ... innocent victims are being exploited by fraudsters, swindlers and conmen," he said. — Sapa.

Evidence is contradicted

BIDAM 28/10/92.

VEREENIGING — A Sebokeng South municipal police constable and Casspir driver told the Goldstone commission yesterday that another policeman and witness visited his home and accused him of allowing white men to use his Casspir on the night of the Boipatong massacre.

Const Phafodi Khanye told the commission he had then told Const Diau Monare this was not possible because Monare was with him in the Casspir on a patrol of Boipatong that night.

Monare told the commission last week that when the vehicle arrived at KwaMadala Hostel soon after the attack, three internal stability unit members carrying balaclavas alighted from a Nyala armoured vehicle and told them to leave.

This was denied by Khanye, who said the internal stability unit policemen did not alight from their vehicle or speak to the municipal policemen.

Monare, however, had said they were told by the commander of the Nyala that the hostel was a unit post and had nothing to do with the municipal police.

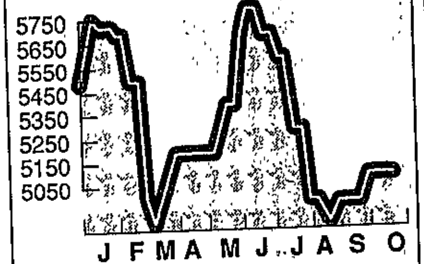
Monare said he felt disappointed at the time because the unit had prevented them from arresting the prime suspects.

The commission adjourned until tomorrow for closing argument. — Sapa.

Edgars outstrips market forecasts

BDAY 28/10/92. (30)

MARCIA KLEIN



EDGARS has beaten market expectations with a 5% rise in attributable earnings to R82,4m (R78,6m) in the six months to end-September.

MD and CE George Beeton said yesterday that sales of clothing, footwear and textiles were estimated to have grown by only 8% over the period, while inflation in the sector declined to average 7%.

The group had outperformed the market with a 9% rise in sales to R1,4bn (R1,3bn).

Operating profit was 7% higher at R194,4m (R181,9m). Net financing costs rose 17% to R36,3m (R31m), bringing pre-tax profit up 5% to R158,1m (R150,9m). Earnings rose 5% to 162c (155c) a share, and a 6% higher interim dividend of 38c (36c) a share was declared.

Beeton said Edgars had matched its interim earnings of the previous year. It had recently achieved R2bn annual sales, while Sales House had grown to annual sales of R500m off a lower base. 28/10/92.

Sales House had "gained further market share and reported significantly enhanced profitability", Beeton said. It had an excellent reputation, good merchandise, an imaginative credit policy and was "a beautifully managed business".

Despite the fact that the cash sector of the market remained depressed, Jet Stores had materially improved its results, Beeton said. It was not yet at a break-even level, but was progressing towards "a real turnaround situation". It was focusing on basic items, and management was spending time and money on getting it right.

Manufacturing operation Celrose had suffered during the period, but the group was committed to the operation and would focus on improving its results and growing its export business.

The group had placed emphasis on improving the quality of its debtors' book and, overall, net bad debt had decreased.

Stringent cash and asset management programmes had borne fruit, and "a meaningful growth in cash flow per share" — to 217c from 72c — had facilitated the repayment of net borrowings of R47,1m, and a reduction in gearing to 55% from 58%.

Beeton said sales and profit growths for the full year should be in line with those reported in the first half.

Need to demand affirmative action ● Afri-Tour is aiming to redress imbalance

Nafcoc's call to business

Sowetan 29/10/92.

BLACK PARTICIPATION Demand for affirmative action to reduce 'corporate stranglehold' on economy: 30

By Joshua Raboroko

BUSINESS people have been urged to demand affirmative action programmes to reduce the "corporate stranglehold" on the South African economy.

Speaking at a conference held at the Wild Coast Sun, Nafcoc president Mr Archie Nkonyeni said that the organisation's "3-4-5-6 programme" aimed at increasing black participation in and ownership of South African business, could not remain a concept for "academics to play with".

The programme, approved at the 1991 Nafcoc conference, calls for, among things, a 30 percent participation of blacks in management boards and a 40 percent ownership by blacks of all JSE-listed companies.

It also seeks a ruling that 50 percent of the value of outside purchases made by listed companies should be placed with black-owned suppliers and contractors.

It suggests that 60 percent of top management and personnel should come from the black community within a 10-year time frame.

Nkonyeni said there had to be a concerted effort to bring blacks closer to the centre of the economy.

"The exclusion of blacks from the economic scene was calculated and implemented through apartheid. Now a deliberate plan for black economic empowerment is called for.

"Nafcoc is being restructured to carry black-led organisations into a new and liberated South Africa," he said.

As the only true bridge between free enterprise and the needs of a society in transformation, Nafcoc was demanding black economic empowerment and a voice in management.

"Today the organisation has become much more than an association of profit-motivated businessmen and businesswomen - it is an agent of development."

He said the role of Nafcoc was expanding into areas such as contribution to the formulation of economic policy, the development of strategies for social welfare and assisting in the creation of a non-racial, unified national employers' organisation.

Archie Nkonyeni

Natal's giant centre

Sowetan 30

29/10/92

■ Sanlam to spend millions on complex:

By Joshua Raboroko

SANLAM Properties will spend R24,7 million to create Zululand's biggest shopping centre at Empangeni through the merger of two existing centres and the creation of more space in the link.

The two centres, Sanlam Plaza and Sanlamsentrum, on a 64 033 sq m site, are now joined by a covered walkway.

Plans include linking the two centres into one and the creation of a further 5 637 sq m of space in the link.

The additional space will take the leasable area up to 30 350 sq m, making the centre the largest shopping complex in northern Natal.

About 260 more parking bays will be created.

SBDC polls small man

Sowetan 29/10/92

■ **Small business sector feels pessimistic about the recovery of the economy in the next twelve months:**

By Joshua Raboroko

SMALL businesses have been recognised as an important component of the South African economy.

As a result the Small Business Development Corporation (SBDC) and the South African Chamber of Business (Sacob) have initiated a quarterly survey of prevailing perceptions of small business conditions.

According to the survey...

- Respondents feel pessimistic about a recovery in the economy;
- Respondents do not seem to plan for any expansion;
- The expected higher costs of inputs would be passed on to consumers;
- Respondents are even more pessimistic about the influence of current political and social conditions on their businesses;
- Respondents identified low market demand as the most significant restricting factor in terms of increasing sales.

The vast majority (78 percent) anticipate increases in the price of inputs in the coming 12 months.

Most respondents expect political conditions in the coming 12 months to have a negative effect on their businesses.

Fair match makes big and small businesses

30

Sowetan 29/10/92

■ **Artistic textiles echo Africa:**

By Joshua Raboroko

NUMEROUS small businesses hope to radically improve their turnover - in some cases by more than double - as a result of the Matchmaker Services Fair held at Nasrec last week.

Fair organiser Ms Judy Vorster said many of the 135 business exhibitors, from all over the country, received large numbers of inquiries and several entrepreneurs landed big orders.,

The Matchmaker Services is primarily aimed at linking entrepreneurs and corporates to the advantage of both.

One of the show's biggest success stories was newly-formed Natal based company Phakamani, which won the prize for best exhibition at the fair.

Founded as an education project for unemployed women in January this year, Phakamani's artistic textiles have been widely acclaimed.

It was founded by lecturer in fashion designs at Sultan Technikon in Natal Ms Gem Melville and co-founders are: Mrs Busisiwe Bengu, Mrs Nokuthula Biyela, Mrs Mamile Mabasa, Mrs Mrs Makhosi Afrikaner and Mrs Sizakele Ntshangase.

Bengu is a 19-year-old woman with two children. She is a part-time model at the Technikon Art School, but has no other source of income. This is her first job. "I like it because this is something that will help me in the future."

Biyela is 32 and has four children. She has no formal training in any field. "This is my first job. I love it. This is the work I want to do forever. I will also teach my daughter to do it," she said.

Mabasa is 24. She did a computer course at a commercial college, but could not find any work. She has since flourished at Pakhamani. "This is the most wonderful job."

Afrikaner is 42 and has six children. To her Pakhamani means "a way to progress myself and my life and to make money without going all over to look for a job".

Ntshangase is 32. She said: "When I was at school I was unable to draw, now I can draw and I am happy."

Each table cloth made by the women is hand-painted and has a unique design. It has its own design style and is seen in some circles as the beginning of indigenous textiles.

BUSINESS Building a stable future which will include

Enemies of Caesar will be vilified

30

Sowetan 30/10/92

CONDUCT CODE Companies will have to give blacks a real stake:

By Joshua Raboroko

A DRAFT code of vigorous affirmative action to speed up economic empowerment of blacks has been proposed by small businesses.

In terms of the code, companies will have to subscribe to the advancement of blacks on their boards and in the ownership of a meaningful stake in commerce and industry.

The code was proposed by the managing director of Corporate Image, Mr Moss Leoka, when he addressed exhibitors at the Matchmaker Services Trade Fair in Johannesburg.

Many of the exhibitors at the fair agreed that a code be drafted and supplied to big companies with the aim of making them vigorously engage in empowering blacks.

The feeling was that small businesses created jobs at a time when the country was plagued by large scale unemployment. Some agreed that the informal sector should also be boosted by the Government instead of it (Government) spending millions of rands on defence.

"The war on our border is finished, we need the money to create jobs and wealth so that we can live peacefully in the new South Africa," one exhibitor said.

Leoka said: "This code should be voluntary only to the extent that companies will be able to set quotas and time tables themselves, to suit their own particular circumstances."

He warned that non-conforming companies would be publicised; their names be distributed to the nation that "they are not friends of Caesar".

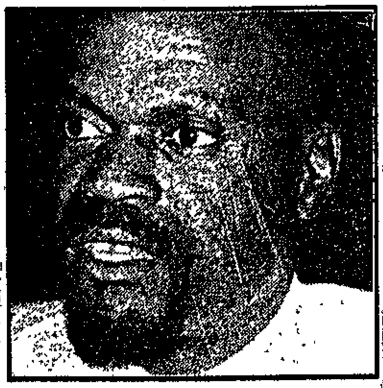
The Government should not be let off the hook, and business should demand that part of the Government's huge buying budget be spent on black suppliers.

"It is only in this way that we can say we are building a stable future together."

He said that South African business, especially big business, stood accused of knowingly supporting apartheid. It was their responsibility to get rid of "this wicked system".

"My appeal to business is they should voluntarily search their souls and decide on programmes that will speed up the economic empowerment of blacks," he said.

He said most black business was under-capitalised because they did not have easy access to finance.



Moss Leoka

Black manufacturers, like all small businesses, could not afford to employ hundreds of workers, nor could they afford the high capacity production machines because they lacked money.

Black businesses could not distribute their produce nationally as a result of lack of distribution networks.

They have been hamstrung by political unrest, stayaways, strikes, to sudden and unannounced cuts in electricity and water.

blacks in business

Company provides loans to buy taxis

Sowetan 30/10/92

■ **Members will also be helped to start other businesses:**

30

By Joshua Raboroko

THE Nafcoc-affiliated National African Federated Transport Organisation has launched a scheme involving millions of rands to help their members buy vehicles and start businesses.

The organisation has formed the Dewline Enterprise Long Distance Transport Company Ltd which will make loans available to potential taxi owners and shopkeepers.

The company already has R4 million in its coffers.

At a Press conference this week the company's managing director, Mr Lebina Mofokeng, said the company consisted of 28 Nafto associations in the Transvaal and Orange Free State who wanted to improve the standard and quality of the taxi industry.

Members were expected to buy the maximum of 6 000 shares. The money would be deposited in a bank and be used to buy vehicles.

About 150 of their more than 4 000 members had already benefited from the scheme, he said.

The company offered security and provision would also be made for old vehicles to be improved and be insured against theft, riot damage and robbery.

Lebina said that the association had built three large supermarkets in Petrus Steyn, Kroonstad and Vereeniging.

SA told to join Africa

Sowetan 30/10/92

■ **Research shows this will create economic opportunities:**

SOUTH Africa has been urged to enter into new economic pacts with the rest of the continent.

A study commissioned by the SA Chamber of Business and released in Johannesburg this week has outlined the crucial importance of co-operation with African States.

The Africa Institute of SA, which carried out the research, says progress towards full international acceptance will strengthen commercial and other bonds.

Researcher Dr Erich Leister says the African countries welcome these developments and look forward to South Africa joining regional groupings such as the SA Development Community and the Preferential Trade Area for Eastern and Southern Africa (PTA).

Western leaders and development agencies hope that South Africa will help to promote development and stability in the region.

Boyman's turnover up

(30)

BDM 30/10/92

MARCIA KLEIN

RETAIL company Boymans, whose interests include John Orr's, Levisons, Deans, Cyril's, John Scott and Woolfsons, reported a 23,8% drop in attributable earnings to R693 000 (R910 000) in the seven months to end-September.

Boymans changed its year-end to March in line with its new holding company Amrel.

Results compare the seven months to end-September with adjusted figures for the same period last year.

Turnover rose marginally to R110,4m from R110,2m, but trading profit dropped 30,2% to R5m from R7,1m.

Chairman Rod Logan said gross margins were maintained.

Finance costs were reduced significantly due to lower borrowings after a rights issue in April, and pre-tax profit was 23,7% lower at R1,3m (R1,8m).

Earnings dropped to 2,7c a share from 8,5c previously on a substantial increase in shares in issue.

Merger with AHI could be on cards

SHARON WOOD

A MERGER between Sacob and the Afrikaanse Handelsinstituut (AHI) could be on the cards.

Retiring Sacob president Hennie Viljoen announced in Durban that the option had been put on the table, and working groups would be set up to discuss the proposal.

He was aware of the cultural sensitivities, but business would not be able to take on challenges in the future on a fragmented basis.

Sacob and the AHI had developed a cordial and co-operative relationship in the recent past.

Eliminating duplication and increasing cost efficiencies would be among the major benefits of a merger.

The AHI said yesterday the possibility of merging with one or more existing employer organisations was not on its agenda at this stage. The issue would be discussed at the AHI's full executive committee on November 24.

30/10/92

OFFICE MARKET PROSPECTS

The confidence factor

(30)

FM 30/10/92

Construction companies take note — outside the greater Johannesburg region, office market prospects are best for Durban in the short term. In fact, Durban will need new space from the second half of 1994. Cape Town will only need more prime offices from mid-1995 and Pretoria, which is the worst off, only from the end of 1995.

This is the prognosis of *The Property Economist (PE)* published in September.

Order of the spades

Location	Currently vacant	Known new vacant supply next 12 months	Known new vacant supply next 12-36 months
Durban	m²	m²	m²
CBD	38 500	5 648	nil
Berea	500	nil	nil
Westville	1 200	nil	nil
	40 200	5 648	nil
Cape Town area	m²	m²	m²
CBD	51 000	10 000	nil
V & A Harbour	nil	nil	18 000
Southern suburbs	22 0000	nil	nil
Bellville	8 700	2 500	nil
	81 700	12 500	18 000
Pretoria	m²	m²	m²
Pretoria CBD	33 900	4 000	nil
Arcadia	23 000	nil	6 400
Hatfield	17 000	5 000	nil
Sunnyside	4 500	nil	nil
Eastern suburbs	25 000	1 800	3 000
Verwoerdburg	17 000	nil	nil
		10 800	9 400

Source: THE PROPERTY ECONOMIST

While the greater Johannesburg area is not included — it was covered in *PE*'s July edition — the report says that, with the exclusion of Bedfordview and Woodmead, most other areas in this region (11 of them) should reach equal supply and demand between mid-1993 and end-1994.

Thus their construction opportunities are greater than in Durban, Cape Town or Pretoria.

Time cycle needed

Given that "the typical office development requires a time cycle of site purchase, clearing, planning and construction of some 12 to 36 months," there is likely to be a continuous stream of new office block announcements from next year onwards, particularly in Johannesburg and Durban.

"Confidence among tenants, however, is still the vital ingredient. Construction will not take place willy-nilly," *PE* author Neville Berkowitz points out.

The *PE* reported in September that Durban currently has 40 000 m² of vacant space, 38 500 m² of that in its CBD. A further 5 600 m² of unlet space is due to come on stream during the next 12 months — "sufficient A-grade office space for the next 18 to 24 months." Anticipated take-up in the next 12 months is between 20 000 m² and 25 000 m².

The Cape Town area has an oversupply of 82 000 m² with a further 12 500 m² coming on stream. "This should be enough space for at least the next 24 months."

Expected take-up in the larger Cape Town area — including the CBD, the Victoria & Alfred, Bellville and the southern suburbs — in 1993 is between 30 000 m² and 35 000 m².

Pretoria has 120 000 m² of vacant office space with a further 11 000 m² about to come on to the market over the next year. *PE* believes a take-up of 35 000 m² to 40 000 m² is likely next year.

The *PE* notes that the problem areas in Pretoria for the next 24 months appear to be in the CBD, Arcadia, Hatfield, the eastern suburbs and Verwoerdburg.

Only Sunnyside has much upward potential, it says. This suburb has 4 500 m² of available space.

No new space is planned for the next three years, as far as is known. Achievable rentals in Sunnyside are around R21/m² gross. ■

FM 30/10/92 (30)

EDGARS FM 30/10/92

Impressive showing

(30)

The results are impressive, considering the current climate. As clothing inflation over the past year was around 9%, a 9% turnover rise implies this clothing and footwear retailer recorded roughly unchanged unit sales.

Also, non-labour costs were well contained. Trading margins narrowed only marginally, even though labour costs, a significant slice of total costs, rose 13%.

Of the group's three chains, MD George Beeton says Edgars matched 1991 interim earnings and "Sales House gained further market share, reporting significantly improved profitablity." However, one must question how the departure earlier this year of MD Ian Thomson, to take the helm at British Shoe Corp in the UK, will affect the chain's prospects.

Results at Jet improved progressively, in spite of the cash market remaining depressed. Beeton says Jet, as a cash retailer, remains most under pressure.

The Edgars chain continues to dominate turnover, accounting for 70% of the group total. Sales House and Jet contributed 17% and 11% and manufacturing the other 2%.

Turning to the balance sheet, debtors and cash also rose 9%, indicating the group avoided having to lower the quality of credit sales to maintain volumes. And unlike some retailers which find themselves overstocked as recession lags on, Edgars seems to have read the situation well. A 7% rise in stocks is below turnover growth.

Creditors rose 13%. Close control over working capital indicates the group has been able to fund its own growth as gearing has not risen following the turnover increase.

The 5% EPS growth would have been higher but for the R5,3m increase in net financing costs to R36,3m. This increase follows a surge in the tax payment, itself merely the result of timing aberrations.

Management's cautious approach is reflected in the R10,2m drop to R24,1m in capex incurred, from 1991's first half. "We have been selective in openings and refurbishments," he confirms. Large openings pending include stores in Somerset West, Fourways and Westville. Computer technology spending has also been cut back as the mainframe's life has been extended.

Stores have been closed in some outlying regions such as Carletonville but Beeton says most were insignificant. The loss-making mail order business has been closed. "We are not mail order experts," he admits.

CBD stores continue to lead activities, indicating the black trade's importance. Beeton predicts second-half sales and profit growth should mirror the first half's.

William Gilfillan

UNIT SALES STEADY

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Turnover (Rbn)	1,29	1,45	1,41
Operating inc (Rm)	181,9	191,3	194,4
Attributable (Rm)	78,6	78,9	82,4
Earnings (c)	155	155	162
Dividends (c)	36	83	38

TRADEGRO

In the right direction (30)

Assuming the recovery is sustained, Tradegro's results for the six months to end-August mark one of the most impressive turnarounds seen on the JSE for a long time. It means MD Whitey Basson is achieving what few believed was possible in such a short time — the restoration of Checkers to profitability.

Tradegro's year-end has been changed to comply with that of holding company Pepkor. Moreover, the composition of the group is entirely changed. It comprises only Checkers and Shoprite, after Metro Cash & Carry was sold and Smart Centre was moved out. That makes comparisons with the year-ago interims problematic.

Shareholders' funds were affected by an extraordinary write-off of R166m resulting from the restructuring. When Tradegro bought Shoprite, the deal was financed by issue of Tradegro paper. The write-off, taken on March 1 1992, represents Shoprite's trade names and goodwill.

Of more significance, though, is the clear turnaround in Checkers' fortunes. This is

continued

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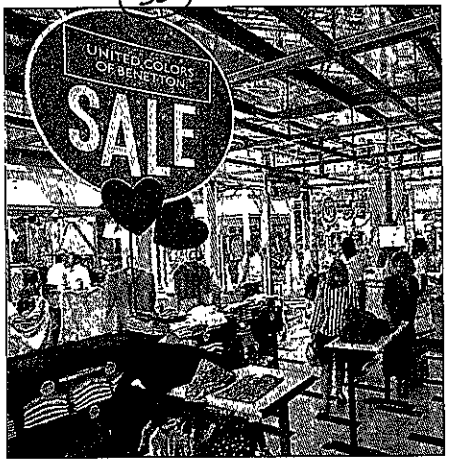


Youthful consumers . . . *shopping 'til they drop?*

RETAILING FM 30/10/92 (30)

Benetton's new colours

Luciano Benetton, co-founder of Italian clothing colossus Benetton, swept through SA last month on a three-day tour. He met President F W de Klerk, mingled with business leaders at a private breakfast and unveiled the company's latest controversial advertising campaign — one ad shows an albino Zulu girl at a Shaka Day celebration in Ulundi.

SA was flattered and no-one asked what Benetton was doing all the way down here. As it turns out, all the hoopla was concealing an urgent strategy to boost the chain's profile in Third-World markets because its fortunes are flagging in the First World.

Before arriving at Jan Smuts, Benetton had been in Egypt. This month he's in Indonesia. Turkey, India, eastern Europe and Latin America are also targets. But the company denies that it's focusing on the developing world. "It is a part of the global strategy of constantly expanding into new markets," says a company spokesman in Italy. "SA, with its population of 30m-plus, is an interesting proposition for Benetton."

What is not debatable is that the chain, which has 7 000 stores in 100 countries, is not doing well where it counts most — in the US and Europe. The company acknowledges that lacklustre performance has forced a change in direction in the US, where it has lost money for three years in a row. Beginning in January, prices on all products there will be cut by 10%-15% and more shops will be closed. *The Wall Street Journal* reported recently that fierce competition from stores such as The Limited and The Gap, a weak economy and high prices already have forced 300 US outlets to close.

And in Europe outside of Italy, profits are being squeezed by low-price fashion chains from the US and France. Analysts also suggest that the company, which has always been geared to the 15-25 age group, has not kept up with the fashion trend away from casual knitwear and towards the more tailored clothing favoured by ageing baby boomers.

But in SA and other developing countries, where the average age is lower, the Benetton chain is expanding. The company entered SA 10 years ago and now has 35 stores here, including one in Diepkloof, Soweto, and there are another seven in neighbouring countries. Some are franchises and others are company-owned. This year, Benetton started a small manufacturing operation in East London to produce denim and stretch fabric for consumption locally.

"The thought goes through my mind that they see southern Africa as a potential manufacturing base," says Sid Vianello, a retailing analyst with Ed Hern Rudolph.

The Benetton chain, which made its name as a purveyor of brightly coloured wool jerseys, imports most of the items it sells here. The goods are not cheap, especially since they are burdened with heavy import duties. The company says pure cotton and wool garments are slapped with 100% tariffs.

Locally, monthly sales turnover is about R600 000 per store; the SA operation contributes less than 1% of Benetton's global turnover. "Business varies, with some good months and some bad," says a company spokesman. "This year, for example, they had both their best and worst months ever."

Despite the setbacks in its key markets, the Benetton family — Luciano founded the company with his brothers and sister in 1965 — certainly isn't hurting. *Fortune* magazine's recent list of the world's billionaires pegged their fortune at $1,6bn, a few notches above the Oppenheimers but still a few rungs below the Ruperts. ■

FM 30/10/92 (30)

PEPKOR

Digesting and shuffling

Even with all the ingestion and digestion that has taken place throughout the group in the first half of its 1993 financial year, line managers have demonstrated their ability to generate profits in the most difficult economic circumstances.

Pepkor's 12% growth in operating income to R96,6m follows a 172% increase in turnover due to the acquisition of Tradehold on October 1 1991. Tradegro is now the holding company for the food retailing interests.

The 124-store Ackermans chain was sold out of Pep Ltd (the original Pep Stores) to Pepkor for R85,5m, with effect from March 1. The objective was to retain Pep Stores' sharp focus on its market, while allowing Ackermans to independently position itself

Pepkor's Wiese ... *expects to maintain growth rate*

without the influence of Pep Ltd.

Even without Ackermans, Pep Ltd's operating profit rose 7%, though turnover fell 11%. Also sold were 27 Frasers Mine Stores with effect from April 1 and 24 new Pep stores were opened while eight were closed. Pep Ltd's pre-tax profits have been materially affected by its purchase of Pepkor properties which it occupies. Its EPS rose 1%.

Pepkor sold its properties to those trading operations in the group which occupy them, so that the operations would incur real rather than allocated costs. Apart from releasing cash to the holding company, decentralised responsibility and authority for Pepkor's subsidiaries is enhanced. This also increases interest-bearing debt in these operating companies as well as their fixed assets.

A rights issue of automatically convertible debentures raised R262m, but the cash was received only in July and had little effect on the interim results. Pepkor is highly liquid.

Accounting policies have been changed. All companies in which Pepkor holds 50% or more (including all the major operations) are being consolidated. Assets financed by lease agreements are to be capitalised.

Pep Botswana was successfully listed in June on the Botswana Stock Exchange.

Smart Centre, 63%-held, lifted EPS 20% on a 4% rise in turnover and a 2% drop in operating profit. The bottom line advanced largely because of a 35% reduction in interest paid.

Pepkor's operating income grew as much as it did because of the progress made in improving Tradegro's results. But the review

CASH FLUSH

Six months to	Aug 31 '91	Feb 29 '92	Aug 31 '92
Turnover (Rbn)	1,37	3,22	3,72
Pre-int earnings (Rm)	86,5	126,2	96,6
Pre-tax profit (Rm)	75,8	118,6	88,6
Attributable (Rm)	35,9	57,9	45,0
Earnings (c)	23,9	37,3	27,7
Dividends (c)	7,1	17,3	8,0

period covers 26 weeks, not 27 as in 1991. Whereas overhead expenses were incurred for six months, revenue forgone from the missing week would have made a significant difference to the bottom line.

Despite the conservative forecast that Pep Ltd's full-year earnings will be maintained, Pepkor chairman Christo Wiese reckons earnings growth achieved in Pepkor's first half will be held throughout the financial year, provided business conditions do not deteriorate further. He is obviously relying on good results from Tradegro to bolster those from other subsidiaries.

Pepkor's share price fell, together with the JSE Industrial index, from a high of 1 450c in mid-June to 1 050c in mid-August. But, unlike the index, it has recovered to 1 325c. Fully diluted EPS have grown 16% in the first half-year. If this pace is maintained, EPS for the 12 months should reach 71c. This would place the share on a p:e of 18,7, whereas the historical p:e is 21,7. The price appears reasonable, as long as the market holds up.

Gerald Hirshon

SACOB CONVENTION

SA 'has what it takes for success'

BDay 20/10/92 (30)

SHARON WOOD

ORGANISERS and delegates at the Sacob annual convention in Durban this week walked away satisfied they had dealt with most central issues facing business in the year ahead.

These include a constitution, a social accord, global trade policy, market competition, monetary policy and taxation.

The most popular suggestion put forward at the conference was that politicians should be locked in a room until they resolved their differences and came up with a concrete plan for the future.

However, there was renewed optimism that SA had what it took for economic success, with JSE president Roy Andersen presenting a long list of SA's resources and competitive advantages.

One delegate pointed out that if properly utilised, these would turn SA from a losing to a winning nation. This would also involve turning around Andersen's frightening wage and productivity statistics.

SA's 18% rise in productivity during the last 15 years has been left in the shadows by the 595% increase in wages during the same period. Comparable statistics for Taiwan show productivity increased by 112%, higher than the 110% rise in wages.

The convention failed to pass a motion calling for a reassessment of monetary policy. This will be redrafted by the Sacob economic affairs commission.

However, there was a hint of uncertainty in the audience about whether relaxing monetary policy would be the right thing.

The revised motion presented on the day was toned down from the original version, and based its argument on the fact that structural rigidities in the economy, such as wage and salary increases, lack of competition and the government deficit, stood in the way of achieving lower inflation. Reserve Bank response to the motion was mild, with deputy governor Jaap Meijer saying the Bank had no argument with most points brought up in the motion.

Tensions ran high during discussion on the taxation motion — a regular one at Sacob's annual conventions. Not surprisingly, delegates heartily endorsed pushing for lower corporate and personal tax and for greater clarity and certainty in tax policy. But most debate was focused on the recent Jacobs committee report and the controversial proposal to tax pensions. A spokesman for the Jacobs committee, Piet Robbertse, stressed there was no need to get "hysterical" about the report and that it was merely a discussion document.

Political tensions appeared on the second day of the conference, when Inkatha national chairman Frank Mdlalose and ANC economics spokesman Trevor Manuel made individual contributions to the economic debate. Mdlalose made an impassioned speech about his roots as a South African and a Zulu, and vigorously defended Inkatha's history.

Manuel stood up a short while later and pointedly said it was regrettable that a speech of that nature had been made during an economic debate.

Sowetan 20/10/92 (20)

The U Build Total Homemaker Plan

A STRONG COMMITMENT TO THE COMMUNITY

The launch of the U Build Total Homemaker Plan represents a strong and meaningful commitment to the community, according to Cashbuild chief executive, Mr Gerald Haumant.

"We have identified a real market need and come up with a package that provides reassurance, support and advice to home builders or those improving the value of their homes through additions and renovations," he said.

"In addition, we are doing so at prices that are highly competitive, realistic and affordable."

The U Build concept in the stores in Jabulani and Soshanguve is aimed squarely at the home improver, the informal builder, and home self-help markets.

"I am confident that the community will find the plan an invaluable ally in their efforts to create improved housing," he said.

"In addition, I hope that the new Homemaker Plan stimulates new entrepreneurs and existing entrepreneurs to create new jobs and contribute to the desperate need for more housing in the community."

Cashbuild has an enviable record of employee empowerment in the business it operates, and is renowned for its leading edge management philosophies.

CUSTOMER DEDICATION

The manager of the U Build store in Jabulani, Mr Abel Motlhamme, told *Sowetan* that the Total Homemaker Plan had been born because customers needed a total programme to help them build their homes.

"They have been let down too many times, and they are put off by the complications and traps that lie in their way. It was obvious to us that they needed a trustworthy and professional support programme for their building and renovation needs.

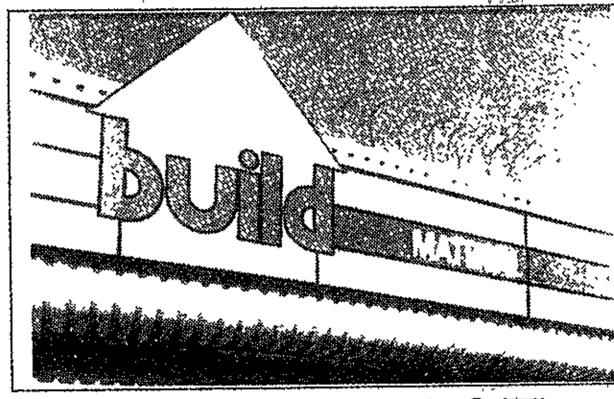
"From the top down, we at U Build Jabulani are committed to doing the best deals for our customers, providing the best materials at the best prices, and supporting our customers through the whole process.

"The Homemaker Plan starts with the belief that we don't only sell building materials. We sell a professional service that looks after our customer from the planning stage to the completion of the entire project, and in order to do that we guide them through the complications they will come up against.

"Our philosophy is that a sale is more than a sale . . . it is the beginning of a total building and renovating relationship."

He said that housing was probably the major problem to be solved in a new South Africa, and that its urgency did not allow time for mistakes.

"Our customers don't have the time to learn the hard way, and the U Build Total Homemaker Plan ensures that they don't have to. It provides professional backup in the crucial area of housing."



THE QUALITY OF SUBCONTRACTING

The best house plan in the world, built with the best materials, will be a long-term disaster if it is completed using subcontractors with inadequate skills and an incomplete commitment to quality building, according to Mr Bushy Moloi.

Mr Moloi is in charge of the U Build subcontracting unit, part of the U Build Total Homemaker Plan.

"It doesn't make sense for a customer to buy high quality materials from U Build, only for them to be used by unqualified subcontractors. The result will be a house that could develop leaks, cracks or any of a host of defects that will require expensive repair and maintenance.

"That is why we see the subcontracting service as an invaluable add-on service to the supply of building materials. We only endorse and use proven reliable and high quality subcontracting for work our customers want us to get done on their behalf, and we do so at highly competitive prices."

He said that U Build subcontractors covered the whole range of services needed in the building or renovation of a home, and they were chosen with a great deal of care.

READY MADE TRUSSES

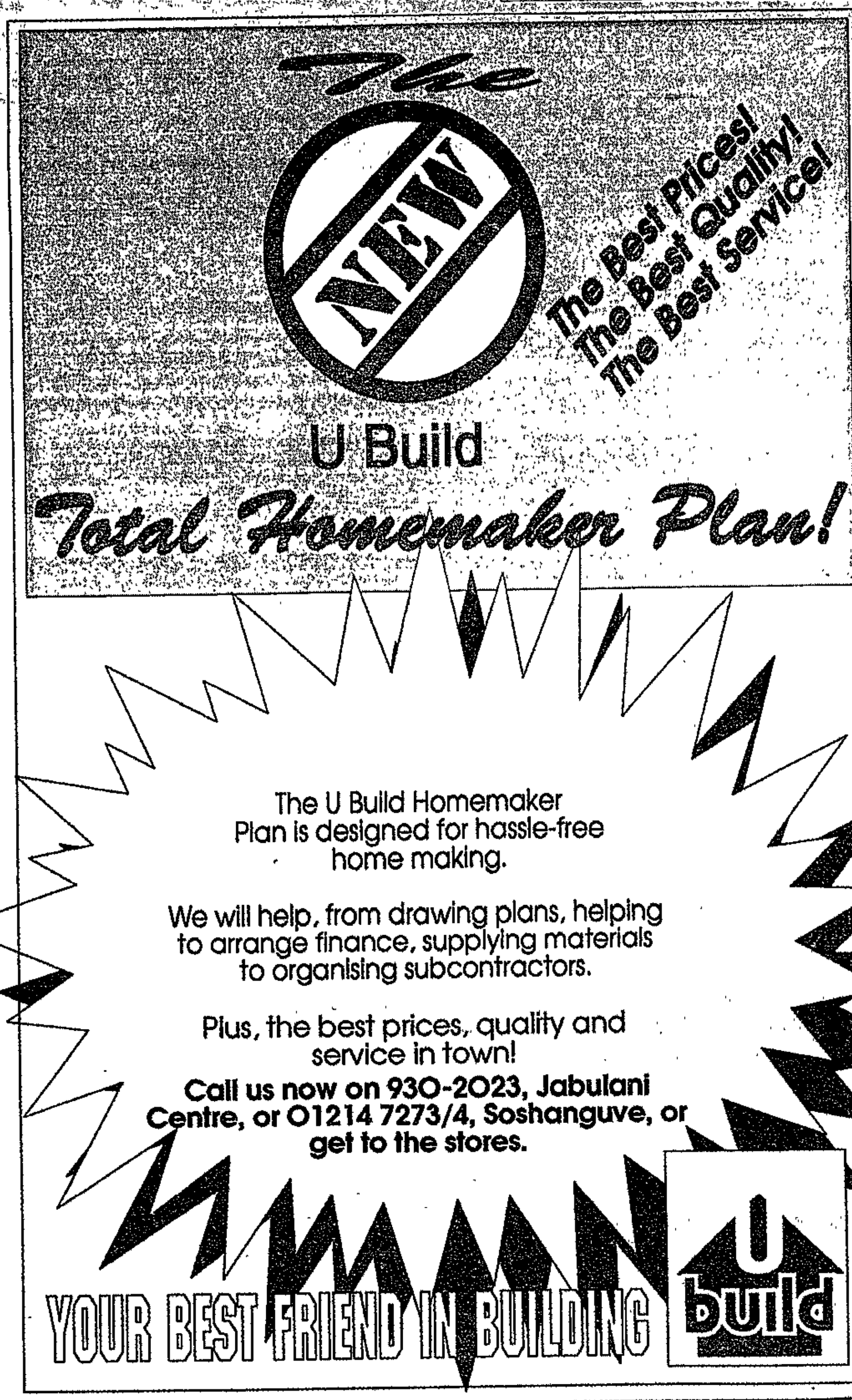
The new U Build Total Homemaker Plan includes the only ready made roof truss manufacturing unit in Soweto.

Run by experienced draughtsman and truss manufacturer Ben Dihutso, the unit uses sophisticated computer programmes to custom design roof trusses to suit customers' house plans.

The manufacture of the trusses takes place, and the completed trusses are delivered to any building site in Soweto.

Up to now truss manufacture has only been available in surrounding areas.

"We work to the uncompromising standards of quality and workmanship demanded by any division in the Cashbuild group," said Mr Dihutso.



A NEW HOMEMAKER SERVICE

Shoddy building, unreliability rip-offs and plain developer fraud have been characteristics of parts of the home building and home improvement sector in Soweto. Because of this many prospective home builders and people wanting to upgrade their homes have become suspicious of suppliers.

In addition, many people simply do not have the know-how in the intricacies of having plans drawn and passed, arranging finance for their homes, and supervising the building operation to protect themselves from poor materials and workmanship.

Realising this Cashbuild subsidiary, U Build, has put together a comprehensive package known as the U Build Total Homemaker Plan.

"The plan provides homemakers with a complete range of services that cover every aspect of building or renovating Sowetans with reassurance that they will get what they pay for," said U Build general manager Mac Leaf.

"The package starts with the design and drawing of plans and, as a start, we have over 200 new house plans a homemaker can choose from. We also provide low-cost home options, and options that enable home owners to improve their homes by adding rooms, paving and many other improvement applications.

"We are able to identify, list and supply all the materials that will be required, as well as help prospective homemakers to arrange the finance they will need.

"But the plan doesn't stop there. Once approval of plans and financing has been achieved, we are able to use subcontractors (who have been approved for quality and reliability by us) in the completion of the project, including jobs like the building of roof trusses."

He said that the new concept, recently launched at U Build in Jabulani and Soshanguve, fulfilled a vital consumer need in the townships and meant that prospective builders or home improvers no longer needed to feel unsure of themselves when thinking about building or renovating their homes.

"All they have to do is go to U Build at Jabulani or Soshanguve and speak to one of our homemaker advisers, and we will then guide them through the whole project. Whatever the problem, we will have a solution," he said.

Cape is on course with new forum

South 31/10-4/11/92 30

THE Western Cape has taken the lead in developing an economic strategy to create jobs and prosperity in the region while the proposed national economic forum remains in limbo.

The Western Cape Economic Development Forum, which will be launched on December 3, has brought together representatives from trade unions to local government to map out an economic strategy for the region.

The national forum has become a stand-off between the government and Cosatu over the government's apparent attempts to unilaterally restructure the economy.

But the Western Cape forum seems confident such a situation will not arise here.

Dr David Bridgman, chairperson of the interim steering committee, said at the committee's report back meeting last week, decisions would be based on consensus.

Bridgman said this would prevent the forum's commissions, which will deal with specific projects, from becoming "bargaining" forums.

Local Cosatu official Ms Tasneem Essop described the move to launch the regional forum on December 3 as the "most concrete development in the Western Cape in a long time."

Essop said there would still be differences between Cosatu and big business on priorities for the Western Cape, but she was optimistic about the forum's future.

"There are some urgent short-term demands that Cosatu might have. For instance poverty, not exports, might be the focus, but that will come out in discussions."

The forum is neither a funding nor an executive body, but will focus on strategies to:

- Improve the competitiveness of business
- Promote housing
- Improve education and training
- Encourage economic participation of disadvantaged communities
- Alleviate poverty in the short term

The forum arose from the Growing the Cape initiative started in mid-1990 to focus on the economic needs of the region.

This led to the publication by Wesgro last March of "South Africa's Leading Edge". This was the work of over 30 researchers and was edited by Growing the Cape members Bridgman, Wolfgang Thomas and Ian Palmer.

The book was the first of a three-phase approach to explore the needs of the Western Cape economy.

The second phase was to identify existing trends and opportunities, which resulted in a 79-page report called "Growth Sectors and Key Development Issues".

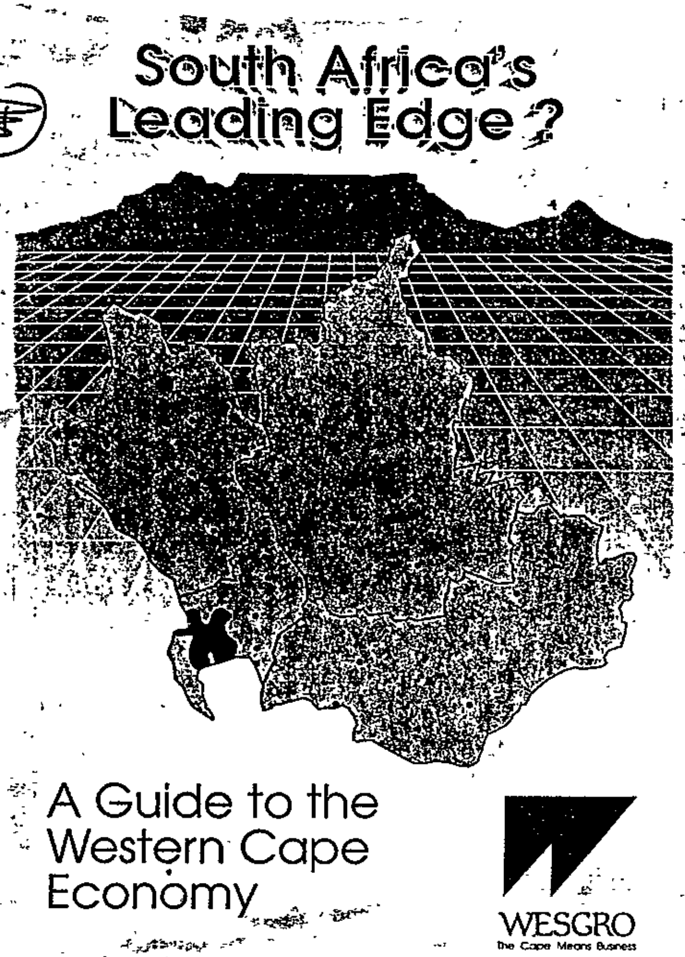
The third phase, now under way, is to form a regional economic forum to implement and monitor strategies.

Bridgman said that the book and the document were not meant to be blueprints for the new body, and should be used as guiding documents.

In the "Leading Edge", the Western Cape is identified as pointing the way for the country as it has a relatively skilled labour force, a strong small business sector, greater access to the international economy and tourism, an established export orientation, less dependence on the mining and mineral sector and less violence during the political transition period.

Key growth areas identified by the phase two report are tourism, food and beverages, agriculture, construction and the clothing industry.

Waghied Misbach



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Trolleys used as packhorses of the poor

BY BOBBY BROWN

Supermarket trolleys appear to be a viable business for "entrepreneurs" who sell them to street vendors at R25 apiece — presumably after stealing them from stores.

Three street vendors near The Star building in Johannesburg said they bought their trolleys from unknown men who walked around pushing trolleys through the streets. These suppliers were even prepared to drop their price to R15.

Trolleys have long been the "pack animals" of street vendors and the homeless, but the practice has left the management of supermarkets with severe headaches and greatly out of pocket.

A Pick 'n Pay spokesman said his store spent more than R170 000 over a six-month period to replace stolen trolleys.

"Chain stores are aware that trolleys end up in the possession of street people, but there's not much we can do," Pick 'n Pay's operations manager for Gauteng, Mel Green, said.

Green said trolleys cost supermarket chains R220 apiece, but could not confirm how this expenditure affected prices in the store.

An OK Bazaars spokesman denied that trolley theft affected the price of goods. These thefts were written off as operational costs, he said.

Street vendors use the trolleys mostly for carting around their vegetables, cigarettes and sweets which they sell from street corners every day. Bricks, large tins and wood, the components of makeshift display counters, are also loaded up and wheeled away to a nightly parking spot.

For the homeless, a trolley is a pantry, a wardrobe amd sometimes even a bed for a baby. More flamboyant vagabonds treat their trolleys as their friends and partners, even giving them colourful names, such as "Souped Up", "Rooi Gevaar (Red Danger)" and "Kitt".

A homeless man called "Alfie" claims he stores everything he owns in his trolley. But he took a while to remember where he had got his "16 Valve" from. "I picked her up," was all he would say.

The OK's Marius Niewoudt said they had tried several ways to curb the theft, but that they were "really fighting a losing battle".

"Asking shoppers for a R2 deposit before they could take a trolley out of the store had serious customer relation implications," he said.

He said one of the effective ways was to employ scholars to look after trolleys and to make sure they were returned to trolley bays.

Green said there were by-laws which allowed police to fine and even arrest people in possession of trolleys, but added that trolleys which had had their name bars removed were difficult to identify.

"How do you fine a homeless person who has no address" he asked.

A homeless woman had the last word. "These supermarkets are rich, they can afford to let us have the trolleys. Tomorrow they buy another one," she said.

No check-out point . . . a trolley serves a different purpose for street vendors and the homeless who enjoy the convenience. PICTURE.THEMBA HADEBE

Wooltru prepares for the year 2007

S/Times (BUS) 6/9/92 (30)

WOOLTRU chief executive Colin Hall despises roadshows and scenarios.

He prefers to do a Rip van Winkle for 15 years and try to imagine what SA will be like in the year 2007.

A fully Woolworths-clad Mr Hall laid his forecasts on the table at a presentation to the Investment Analysts Society in Johannesburg this week.

He said his group would now start to tackle what it would find at the rude awakening.

In brief, and incontrovertably, black shoppers, managers, staff members would outnumber whites. Growth in the informal sector would outstrip that in the formal, urbanisation would outpace rural settlers and stakeholders' needs would become demands.

Mr Hall identified seven stakeholders — consumers, communities, the Government, lenders, suppliers, shareholders and staff — and how they each might wish to carve up the current white capitalistic cake.

The best way to meet those demands was to make the cake bigger, which brought Mr Hall to the four Es — environment, effectiveness, efficiency and ethics.

On the business environment front, he knows that the Wooltru group attracts A, B and C income shoppers and offers too little for the aspiring C, D and E set.

"White males have dominated business to the exclusion of blacks and women. Rather than see this as a threat, I say it is like running a 16-cylinder car on only one valve.

"I look forward to realising the leadership potential from across the population and to run that car on full throttle."

On effectiveness, Mr Hall says Wooltru must flourish, not merely survive. Its three operating divisions offer different things to different people. Quality is the keystone at Woolworths; fashion is the business of Speciality Retail Group comprising Truworths, Topics, Truworths Man, Daniel Hechter and Leading Concepts.

Massmart's Makro, Makro Office, Drop Inn and this week's acquisition Shield compete on pricing.

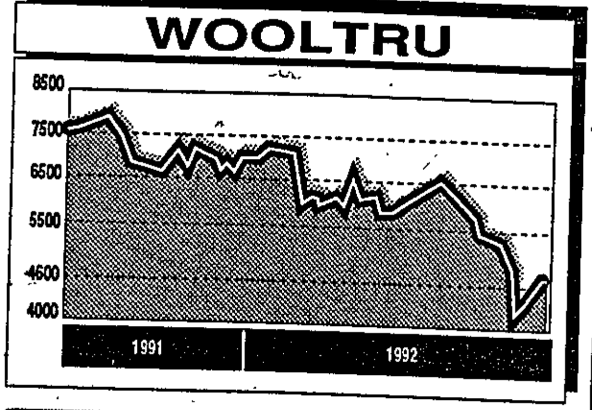
"It's no good being in the mediocre middle ground in any business, trying to be all things to all people. Yet to be in a single entity business you have to be a dinosaur," says Mr Hall, adding that Wooltru's acquisitions since 1982 have all been for cash.

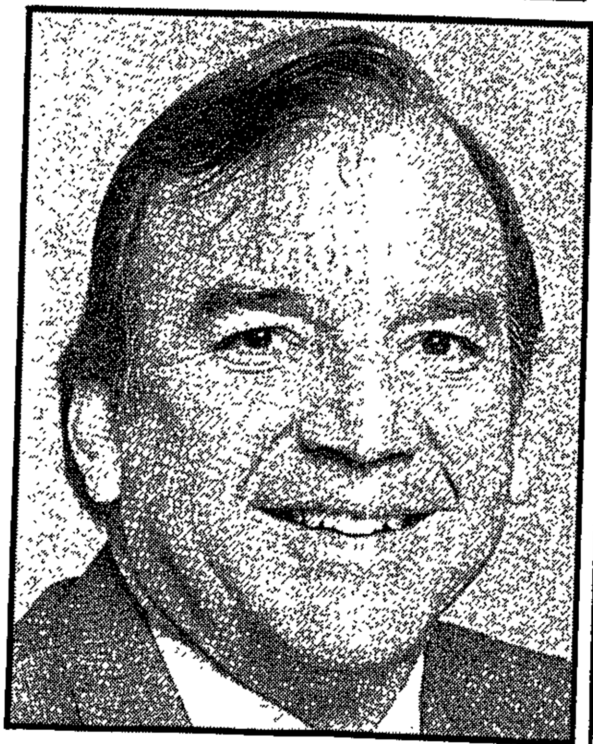
"Understanding cash flow is the most important part of any business. We have never had to come to shareholders for a rights issue to pay for excess borrowings or to expand the normal organic growth of the group."

Alas, Mr Hall could report no sign of economic recovery. The year to June was a tough one for most retailers and Wooltru's taxed earnings fell 38% to R92-million in spite of a 15% climb in turnover to R3,8-billion.

"The main risk in this group is in how well we've bought. We bought R2,5-billion of stock last year. We buy today to sell tomorrow or even next season and take the risk."

There is a concerted effort to boost Woolworths, which has steadily lost market share in the past 10 years apart from food. Its value-for-money image is being promoted to sections of the community who have not grown up with Woolies. Management and systems information have also been beefed up and new ways of payment involving some kind of credit are under consideration.





COLIN HALL: Getting ready for the rude awakening 15 years on

The other biggie, Makro, unfortunately expanded aggressively when the economy turned down. That was the main reason behind lower profits in 1992.

The Speciality Retail Group (SRG) has also grown well in five years, attracting an increasing proportion of black shoppers.

Mr Hall declines to give the relative sizes of each division in the Wooltru group, claiming that the comparisons would be misleading.

The JSE has treated Wooltru harshly — one set of poorish results in many years and the share price has almost halved from its peak of R87 to R45.

Businesses find refuge in the Cape

BIDPAY 2/10/92

INDUSTRIALISTS are looking to the Cape as a city to conduct business under more normal conditions than elsewhere in SA, says Christie's Property Brokers' David Christie.

"The Cape has been regarded as the poor relation of the Reef over the years but is now coming into its own. The western Cape workforce is less subject to intimidation than in other parts of the country, while businesses are not as critically affected by strikes and mass action," he says. (30)

As a result, a number of businesses — ranging from one-man operations to major industrial groups — are looking to establish themselves or expand in the western Cape.

Another positive factor is industrial rentals in the Cape are below those of the Reef and Durban, with factories of $500m^2$ or less to be found for $R10/m^2$ and larger units in good areas, such as Epping, at $R6,50/m^2$, he says.

COMMERCE - GENERAL

1992

NOV. - DEC

SA retailers look north for trade

(30)

S Times (Buss) 1/11/92

By ZILLA EFRAT

SOUTH African retailers and wholesalers are eyeing expansion opportunities in Africa's mass markets.

The companies include Pick 'n Pay, OK Bazaars, Checkers, Woolworths, Truworths and Metro Group.

Most plans, however, depend on political stability in African countries. Potential difficulties are high import duties and foreign-currency shortages in many countries.

Pick 'n Pay chairman Raymond Ackerman says his chain is considering opening stores, franchising or wholesaling in Southern Africa, especially in Zimbabwe and Zambia.

Pick 'n Pay is set to open its first African store outside SA in Namibia in the next year or two.

OK Bazaars group chief executive Gordon Hood says his group has received numerous approaches in the past six months related to opening up shop in African countries. These are being examined, but no firm proposals have been made.

However, Mr Hood says OK is not too keen on the franchising option because it is difficult to ensure from a distance that the company's standards are maintained.

The company will also have to examine whether stores will use the Hyperama or OK Bazaars name. But for Africa, OK Bazaars appears to be a much more exportable commodity, says Mr Hood.

OK has been operating in Swaziland, Lesotho and Namibia for many years and has two branches in Botswana. It also has a close association with the OK chain in Zimbabwe, but is not linked to the Zambian chain which was nationalised many years ago.

Truworths' "cautious" expansion plans for Africa centre on franchising.

Exports

Managing director Michael Mark believes the company will have several experimental stores north of SA in five years.

He says the response to Truworths' merchandise at a recent SA exhibition in Kenya was "amazing" and the chain's first franchise in Gaberone has proved successful.

The group owns a store in Namibia and views Zambia and Angola as possible opportunities.

However, Mr Mark says a major challenge will be ensuring that Truworths' standards are upheld in the African franchises.

Woolworths will also place the emphasis on standards when it looks at franchising opportunities in Africa in the new year.

Managing director Sid Muller says that any franchised shop will have to be like its counterparts in SA.

Woolworths has franchises in Swaziland and Lesotho, two in Botswana and four in Namibia. Its executives picked up encouraging signs on a visit to Kenya and will re-examine this market soon.

Metro financial director Dudley Rubin says his group is examining the possibility of opening cash-and-carry outlets in several countries, especially Mozambique, Angola, Kenya and Zambia.

Metro has an interest in the Malawi market and its exports to Africa are significant.

Shoprite Checkers also confirms that it is exploring business opportunities in Southern Africa.

No let-up in retail centre development

B/DAY 2/11/92 (30)

PETER GALLI

IN SPITE of declining retail sales as consumers' disposable incomes drop, financial institutions and developers continue to plough money into developing and refurbishing retail centres.

Many of these developments also have office components, which are suffering the effects of the recession.

The Mines Pension Fund is completing a R40m office and retail development in Roodepoort.

Phase one of the development, known as Constantia Park, on the banks of the Klein Jukskei River, has 5 200m² of office space, a 3 000m² shopping complex, a 1 100m² restaurant and a service station.

A hotel and separate hospital complex have been zoned for future development. The complex will be officially opened on November 7 by Mine Pension Management Services CE Barry Botes.

Joint developers NBS Devco and Gallic have invested R6,5m in a shopping centre in Dowerglen, Edenvale. The centre has a leasable area of 2 239m². Its facilities include a supermarket, hardware store and boutiques, restaurants and parking for 138 cars.

Propnet, Transnet's property unit, has concluded negotiations with Schoonies Een for the development of a R12,5m shopping centre with bus and taxi rank areas. The 3,8ha site is on the corner of Main Road and St Lucia Street in Mtubatuba and will offer shopping facilities for the 8 000 to 12 000 commuters.

Propnet manager Roland Bohmer said the centre would be completed in October 1993 and would consist of more than 9 000m² of shopping centre, a 220-bay taxi rank, a 30-bay bus rank and 360 public parking bays.

Another multimillion-rand Propnet commercial and retail development, Freeway Park, has been approved for Maitland in the Cape. It will have a lettable ground floor area of 6 000m², made up of 45 micro-units ranging from 85m² to 1 530m².

Propnet's Cape Town project manager Jan van Dijken said the first phase of the project was expected to be completed next March and the second phase at the end of 1993. While it was ideal for offices and shops, it would also be suitable for warehousing, service industries and micro-factories, he said.

Sanlam Properties is also active in the retail market. Its R200m, 60 000m² Fourways Mall centre is due to open in six months.

About 85% of the centre — 123 stores — has been let and a further 7% is under negotiation.

It is also to merge two of its existing centres to create KwaZulu's biggest shopping centre at a cost of R24,7m.

The merging of Sanlam Plaza and Sanlamsentrum at Empangeni would take the leasable area to 30 350m² and a further 260 parking bays would bring the total to 1 145.

Workers in wages strike

JOHANNESBURG. — Workers at Soweto businessman Mr Richard Maponya's discount store went on strike on Friday to demand higher pay, the SA Commercial ~~Catering~~ and Allied Workers Union said. 152 30 CT 2/11/92

Waltons' sales hit hard in tough trading conditions

BDAY 3/11/92

(30)

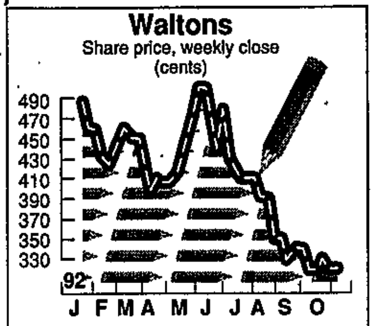
LINDA ENSOR

CAPE TOWN — Sales and operating margins of stationery, office equipment and toy retailer Waltons Stationery fell drastically in the six months to end-August, resulting in a 27% decline in earnings.

The interim dividend was cut by 28,6% to 5c (7c) on earnings of 13,6c (18,7c) a share. Parent company Waltons Consolidated Investment Holdings, which has a 50,1% stake in Waltons, also declared a 5c (7c) dividend on earnings of 13,1c (17,9c) a share.

Chairman Frank Robarts said trading conditions had been the most difficult since the group's listing in 1978. The exceptions were Helios-Minolta and Lithosaver Systems which he said had produced excellent results.

Financial director Mark Davis said Helios-Minolta had gained market share and had won a number of large orders from the government and corporate sector. Lithosaver had maintained its sales momentum and plant utilisation had helped offset the decline in margins. Cash generated contributed in a drop in gearing to 14%.



Graphic: LEE EMERTON Source: I-NET

Drawing equipment supplier Ozalid continued to suffer from the slump in the mining and building sectors.

The stationery market remained tough and had fallen off significantly from former levels of growth. Davis said Waltons' stationery division could, however, get a boost next year as children in Model C schools would have to buy their own books.

Year-end sales were also normally boosted by businesses stocking up with stationery.

Toy and babyware retailer Redgwoods Holdings made an interim loss, although traditionally it generated most of its profit over the Christmas season. The chain hopes to derive benefits from its Toys R Us warehouse, a newly launched "Magic Card" credit facility for customers and its newly acquired Baby & Co operation.

Group turnover rose a nominal 5,5% to R376m (R356,3m) but with margins sliding to 8,2% from 11%, the operating profit plummeted by 21,5% to R30,7m (R39m). Davis said cost-cutting measures had been adopted throughout the group, with some divisions being merged and branches closed.

Finance costs rose slightly because of a build-up of stocks resulting from lower-than-budgeted sales. But Robarts stressed Waltons' balance sheet remained strong with gearing at about 50%.

No significant improvement in the group's performance was anticipated because of the severity of the economic climate which had shown no signs of recovery. Robarts said, however, that Waltons had traditionally a stronger trading performance in the second six months of the year.

High rentals 'being resisted'

BIDAY 4/11/92 (30)

RETAILERS have resisted higher rentals over the past six months and many have seriously considered taking smaller space in prime positions, says J H Isaacs (JHI) leasing and sales MD Colin Wright.

"Lower rentals in retail strip developments created greater demand for shopping space than did shopping malls, and we expect further resistance to higher rentals in the short to medium term," he said.

Rationalisation by the major retail chains was also expected. This would contribute to near-zero real growth in the short to medium term. Despite an uptake of space by banks near or next to major shopping centres, this area had also shown a downturn.

Rode Report editor Erwin Rode agreed, saying retail rentals had gone steadily downhill in real terms from mid-1990 and were still under pressure as retail spending continued to fall.

"Once rentals are deflated using the CPI, the tumble in real rentals becomes apparent. Even in the safe haven of well-heeled Rosebank rentals have declined," he said.

Wright said the oversupply of office space in the Johannesburg CBD and decentralised areas was also likely to continue in the short to medium term. However, the fast pace of development would slow, which augured well for the uptake of available space in all areas.

The leasing and sales division of JHI (Tvl) had concluded property transactions valued at more than R120m in the past six months, said Wright.

The average value of investment transactions was between R2m and R3m.

The group had recorded good business in all areas of industrial property in the past six months. A trend towards owner-occupiers in areas close to Johannesburg had emerged in the quarter to end-September.

"The current market offers companies the opportunity to secure their positions over the next five to 10 years on favourable terms, and to gain a measure of protection against industrial rental increases over this period," Wright said.

Ellerine seeks a better 1993

MARCIA KLEIN (30)

FURNITURE retailer Ellerine, whose earnings for the past financial year recorded the first drop since 1985, has cautiously forecast improved earnings in 1993.

Ellerine's earnings had dipped by 32% at the February interim stage, but an improved performance in the second half saw it report a full-year earnings decline of 9% to R50,4m at the August year-end. BDay

Chairman Eric Ellerine said in his annual review that sales in the second half were 9% higher than the previous year, bringing the full-year sales decline to only 1%. Earnings were up by 16% in the second six months.

Bank borrowings had risen, but this was largely due to the amount of tax paid during the year. Gearing was at a comfortable 16,9%.

The group's expansion had continued, and 21 new stores were opened. 4/11/92

Looking to the year ahead, Ellerine said the group would be able to contain overheads and manage its assets effectively, and its geographical spread and expertise in its market segment placed it well to take advantage of opportunities.

The company's market had the potential for growth due to the accelerated pace of urbanisation and the emphasis on housing and electrification, Ellerine said, adding it expected improved earnings in the current year.

Far East investment should be lured

BDAY 4/11/92

Business Day Reporter

AFRICA could attract foreign investment from Far Eastern textile and clothing companies if it offered the right incentives, Hong Kong Polytechnic academic C Chan said yesterday.

He told the productivity conference the countries of the Far East were some of the world's major sources of textile and apparel suppliers but they had to move to cheaper producing countries if they wanted to remain competitive.

Foreign direct investment by Hong Kong clothing manufacturers could be beneficial to up and coming Third World nations, said Chan.

While it was difficult to estimate foreign direct investment from Hong Kong, one source had estimated it at about HK$4,3bn, of which a third was textiles and clothing.

As existing textile and clothing manufacturing countries lost their comparative advantage and protectionism by industrialised countries continued to have a restraining effect, manufacturers would continue to look for replacement sources to set up their factories.

"The African continent is the one place on earth that has the potential to host the outflow of direct foreign investment on the basis that it has abundance of labour at a relatively cheaper cost, " said Chan.

Africa needed to formulate an action plan to initiate foreign investment. African countries that had started up export processing zones with incentive packages would succeed depending on politics and infrastructure including government regulation and transport.

Generating jobs cheaply

Business Day Reporter

SMALL business development was a low-cost generator of employment, Small Business Development Corporation spokesman Edwin Basson told delegates.

The SBDC advised 2,5-million informal entrepreneurs, employing about 3,5-million people and generating about 15% of measured GDP. The process of entrepreneurship in generating growth and creating wealth should be allowed to mature at its own pace, without government ention, he said.

non

policemen were deplorable. ... day, said he bore his assailant no grudges. ... tical misfortunes, he said. ... between a third or a quarter of the normal ... ested parties.

10 companies go bust every working day

GERALD REILLY

PRETORIA — Ten registered companies or close corporations were liquidated every working day for the first eight months of the year, reports the Information Trust Corporation (ITC). BIDAY 4/11/92

ITC CEO Tony Leng said most were small organisations, but there were also large companies among the casualties.

This was obviously one of the root reasons for the country's continued and worsening unemployment situation.

Leng said so far this year 1 592 liquidations had occurred, an increase of 28% compared with last year.

There was little hope, he said, of an improvement in the distressing situation while interest rates and inflation remained at current levels.

In the first seven months of the year 2 627 individuals were sequestrated — the highest figure ever recorded and an increase of 21% over the same period last year.

Leng said most retailers were having a torrid time, with consumer confidence at an all time low.

Business bid to ease Natal crisis

WILSON ZWANE

BUSINESS had become involved in negotiations with the ANC and Inkatha in a desperate bid to find solutions to the deepening crisis in Natal, an ANC official said yesterday.

ANC southern Natal official Bheki Cele said ANC regional leaders, Inkatha and business representatives were engaged in low-profile negotiations aimed at removing obstacles to a meeting between ANC president Nelson Mandela and Inkatha leader Mangosuthu Buthelezi.

Cele said the ANC's three Natal regions were opposed to a Mandela-Buthelezi meeting until the resolution of certain problems, including the bar on ANC members using school buildings in KwaZulu-controlled areas for political meetings, and the withdrawal of Inkatha from several local dispute resolution committees.

Natal-KwaZulu regional dispute resolution committee chairman M C Pretorius refused to comment on the business/ANC/Inkatha negotiations. He said the talks were delicate and to comment could jeopardise the process.

Meanwhile, last night's meeting of the national peace committee's executive was postponed until tomorrowbecause ANC officials could not attend as they were travelling to Natal to work on defusing tensions.

Our political staff reports that hundreds of Natal servicemen are being called up to help stem the violence ravaging the province.

The army said yesterday Natal citizen force and commando units would have to be called up to supplement troops being transferred to the province from other areas.

President F W de Klerk promised last week that the number of troops deployed in the province in support of the SAP would be doubled by tomorrow.

BIDAY 4/11/92

Commenting on the decision to deploy more troops, ANC spokesman Carl Niehaus, said the ANC had "grave concerns ... in light of President de Klerk's statement that one of the specific duties would be to hunt down MK people."

Inkatha spokesman Kim Hodgson welcomed the move and said the organisation had called for this step several months ago.

Meanwhile, Sapa reports that Inkatha is to ask the Goldstone commission to investigate the role of the ANC armed wing in attacks on the mainly Zulu party.

Hodgson said Inkatha would also ask the commission to investigate MK arms caches. "We are convinced that such arms, ammunition and explosive devices are being used by the ANC in its military operations."

Strydom's actions do not 'defy parole conditions'

BIDAY 4/11/92

STEPHANE BOTHMA

"WIT Wolf" Barend Strydom's issuing of a list of political demands in Pretoria's Strijdom Square — where he gunned down seven people in 1989 — did not contravene his parole conditions, the Correctional Services Department said yesterday.

Strydom said on Monday night that the "illegal" government should resign and meet him within 30 days or face "action".

A Correctional Services spokesman said the mass murderer's parole conditions did not prevent him making news statements.

The threat of "action" did not necessarily imply force or the commission of any crime, the spokesman said.

However, the ANC yesterday called on government to take the necessary legal steps to prevent Strydom from killing again.

Strydom issued a six-page document to journalists in Strijdom Square on Monday night, stating that the Wit Wolwe organisation expected a written reply to its demand to meet the "illegal government" to negotiate "the achievement of our demands".

The ANC said in a statement that it had been government's decision to accept that Strydom's "heinous crimes" were committed in defence of apartheid and fell within their definition of a legitimate political act.

"Having done so, the government will also have to accept full responsibility for any future atrocities Strydom might commit," the ANC said.

The DP said: "This fiasco underscores the DP's opposition to random, and now secret, indemnification of persons guilty of heinous crimes, misrepresented as political acts."

Millions spent on upgrading in CBD

6/0m 4/11/92 30

Reports by PETER GALLI

IN SPITE of negative perceptions about the future of the Johannesburg CBD, individuals are ploughing millions into buying and refurbishing office blocks.

Attorney Gerald Olitzki and his financiers have spent about R10m buying and refurbishing four buildings in the area and, while he had some difficulty obtaining finance for the first project, three institutions competed to finance the current venture.

Olitzki's latest R3m project entails refurbishing the 4 000m² 132 Fox Street building, which once housed the Israeli embassy and bore the bullet holes of the 1975 hostage drama.

"The first three projects have been highly successful regarding letting and market acceptance," he said.

"While the CBD is now at an all-time low, it has a long-term future.

"Overseas, there has been a move back to the cities after companies found the suburbs could not provide the infrastructure of a CBD. In addition, pressure on parking and an eventual shortage of staff contributed to forcing them back. We lag this trend, but it is almost certain to happen."

The private sector would have to be primarily responsible for growth in the area. But all that was needed to change its entire character was the upgrading of only a small node by a number of people — as he had done.

"Fox Street used to be regarded as a really downmarket part of town. Now, with the upgrading of a couple of buildings in the area, this perception has changed," Olitzki said.

Purchase costs were about R500/m² and refurbishment and holding costs were a maximum of another R1 000/m². This was far less than the cost of a new development, which put the refurbishment at a rental advantage.

Space is being let at R12/m², with operating costs held at R3,50/m², resulting in a gross rental of R15,50/m² — excluding electricity and VAT. This compares with other gross rentals in the area ranging from R25/m² to R35/m².

Leases are generally signed for five years at a 12% escalation. Three floors have already been let and another 1 000m² is still available. This can be subdivided into units of 100m² upwards.

The adjacent Playhouse has also been bought and, except for the facade, will be demolished to create additional parking space. This will result in a parking ratio of one bay for every 37m² and will cost R250 compared with R324 in the Carlton.

"I am able to keep rental levels so low by adopting a hands-on approach. All aspects of the development, from leasing to administration and management, are controlled within the company," he said.

Purchase prices were "very reasonable" because of present market conditions and the delapidated state of many of the buildings. In addition, competition for work was so fierce that refurbishment costs were also lower than usual.

A number of factors contributed to the success of such a project, including location and need for the building to be surrounded by other quality buildings.

The developer also had to be aware of what was going on in the rest of the market, and of the many hidden costs that could emerge when refurbishing a rundown building.

"There also has to be an acceptable parking ratio, and the needs of the market being canvassed have to be considered," said Olitzki.

SACOB CONVENTION 30

Better than swords

FM 6/11/92

The powerful role the business community can play in focusing the national economic and political debates was demonstrated at cont

30

last week's annual convention of the SA Chamber of Business (Sacob) in Durban. The two-day public meeting started with a vigorously supported resolution calling for a federal constitution in the new SA.

The strong support for regional government from the Natal chamber, which proposed the resolution, raised sensitive issues — and the final debate was between supporters of the African National Congress (ANC) and the Inkatha Freedom Party (IFP).

Said Sacob deputy director-general Ron Haywood: "The 400-500 delegates to the convention represented a wide cross-section

of business, political, official and diplomatic interests. The 14 ambassadorial and 16 consular representatives from 30 of SA's main trading partners (four from Africa) reflect the wide international interest in SA's vital economic debate."

The presence of delegates informally representing the Southern African Development Community (SADC) and the Preferential Trade Area (PTA) underlined the broader regional and global importance of Sacob. Sacob also released a 23-page discussion document on SA's options for future relations with southern Africa and the European Community, written by Africa Institute's Erich Leistner.

Growing global ties

"The six motions on regionalism, a social accord, global trade policy, competition policy, taxation and the effect of monetary policy on the economy, accompanied by vigorous and in-depth debates involving Sacob delegates, top officials like Finance Director-General Gerhard Croeser and Trade & Industry Director-General Stef Naudé, and Reserve Bank Governor Chris Stals, highlighted the vital issues affecting all businessmen today," says Haywood.

East Bloc representatives from Russia, Czechoslovakia, Romania, Poland and Hungary also testified to the growing global ties of SA's premier business organisation.

But perhaps most significant was the "first-ever" presence at a Sacob convention of a top ANC official, chief economic spokesman Trevor Manuel. He took part in the economic policy debate and expressed pleasant surprise at the vigorous discussions between Sacob delegates and officials on the one hand, and top government representatives, on the other. "I was not aware of the strong differences that exist on policy issues and was impressed by the level of the debates that ensued," he told the *FM*.

Businessmen debated issues relating to the savage recession:

☐ Government was taken to task for using monetary policy to combat inflation, a "symptom" of SA's economic disease, while failing to tackle the underlying causes. The Border chamber said stagflation was the most visible result of the Bank's restrictive monetary policy. Stals explained SA has one of the lowest real interest rates in the world. And, he added, its record of building up a R40bn-odd surplus on the trade account over the past decade was barely enough to feed a capital outflow of R37,5bn. "So the time is not ripe to relax monetary policy"; and

☐ Croeser explained fiscal policy measures like the deficit before borrowing and proposed changes in tax policy. He had to throw oil on troubled waters during the sharp debate criticising the Jacobs committee report on taxing pension contributions.

The original, sharply critical motion on monetary policy was watered down and called on government to: "Re-examine the appropriateness of the current policy of high interest rates"; address the large increase in the deficit before borrowing; eliminate conflict between monetary and fiscal policies; resolve the problem of inadequate competition in "certain sectors" of the economy; and "deal" with wage and salary increases outpacing productivity growth.

On trade policy, the conference took a surprisingly liberal stance and called for vigorous implementation of the Industrial Development Corp's tariff report — as part of a comprehensive economic reform package. Naudé responded that tariff reform had to be "managed," in view of SA's special circumstances. "But there is no escape — we will have to become globally competitive," he added.

The most upbeat view on the outlook for the economy was given by JSE executive president Roy Andersen who predicted 1%-2% growth in 1993.

But politics was never far from the surface. Sowetan editor Aggrey Klaaste departed from his excellent prepared text on *Business and the Changing SA* and the concept of "Nation Building" to criticise the "myth" of the Zulu people, propagated by "the existing leadership of the Zulus in Natal" and abetted by the "tribalism" engendered by old-style apartheid. Klaaste said there was "an almost desperate desire to rebuild the dominance of old," referring to "Shaka and all that jazz" and the IFP in particular. "It is a pity that the IFP changed itself from a cul tural to an exclusivist political party."

This brought a spirited response from IFI secretary Frank Mdlalose: "I am proud to b a Zulu" and "We have never been exclusivis and have been a political movement for long time."

The debate fizzled out despite a spirite attempt by Sacob economic affairs commit tee chairman and JCI economist Ronni Bethlehem to elevate it to higher levels b throwing into discussion the role of the Stat in the new SA.

"We will have to choose between the faile interventionist approach of the East Blo countries, the classical *laissez faire* ap proach, or something in between, like th successful recipes used by the Pacific Ri countries," said Bethlehem.

Wits Business School honorary professo Aubrey Dickman ended the debate on positive note: "Notwithstanding our currently dismal economic condition, the basic resil ience and strength of SA's free enterpris economy is awaiting correct signals to ente the next cycle of vigorous growth."

Final word went to outgoing Sacob president Hennie Viljoen, who suggested a merg er between Sacob and the Afrikaans Handelsinstituut.

Though subsequently rejected, this suggestion (as well as the presence at the confer ence of top AHI official Joe Poolman) underlined the common interests of the tw organisations.

COLUMN

Managing Editor Tony Koenderman is away. His *Advertising & Marketing* column resumes next week.

SAFICON/BOUMAT FM 6/11/92

Into the slow lane

(30)

Saficon's results reflect the tough times being felt by motor vehicle and building materials distributors. Interim EPS dropped to 6c (1991: 38c). Apart from the motor distributorships, Saficon holds 54% of listed Boumat, a manufacturer and supplier of building materials.

Management can be thankful for its diversification into building, as Boumat accounted for roughly 4c of Saficon's EPS. Though motor vehicles and building materials have little in common, it seems Boumat will provide Saficon with a steady foundation when building activity picks up.

However, chairman Sidney Borsook reckons the motor operations will account for the larger slice of group EPS when both the motor and building materials arms are operating at full capacity. This indicates the extent of the motor operations' underperformance in the first half. Interestingly, motor vehicle unit sales were maintained, but the consumer has tended to buy cheaper models.

For instance, in the VW range, sales of the City Golf and Fox Jetta have overtaken those of the more expensive Golf GTI and Jetta CLi lines. Similarly, in the Mercedes/Honda outlets, rising Honda sales have made up for slower Mercedes activity. The 9% drop in the motor arm's turnover indicates the severity of the switch. Results were

continue →

FOX FM 6/11/92 (30)

worsened by narrower trading margins due to fierce competition in the motor industry to maintain market share.

Though one may believe motor servicing activities should provide the group with a strong underpin, particularly as servicing costs can be relatively high, CE Kurt Hipper maintains servicing is not a very profitable business as overheads are also high.

On the outlook, Borsook declines to give forecasts, an abrupt yet understandable change from the past when precise predictions were given. The volatile political and economic scenarios make it "virtually impossible" to read the future. Furthermore, he reckons the chances of improvement within the next 18 months are remote. Fortunately, as Borsook is financially disciplined, the group is in capable hands.

Though Saficon's share price has dropped by more than two-thirds over the past year, and Boumat's by more than half since January, there seems little reason to buy the shares, given the gloomy outlook.

William Gilfillan

CPI
FM 6/11/92

Mortgage effect

30

Central Statistical Service has provided for the second month a breakdown of food inflation by large and small retailers with its latest consumer price figures. These show a narrowing of the gap between the two in September.

In the four months to September, the rates for large and small retailers were 7,2% and 7,8%, or 23,2% and 25,3% annualised — a difference of 2,1 percentage points. This compares with the three months to August when the rates were 5% and 6,3%, or 21,6% and 27,7% annualised — a difference of 6,1 percentage points.

The narrowing comes about because of a significantly bigger increase in most food items at the large chain stores in September, compared with smaller retailers. The index for all foods rose 2% at large retail outlets and 1,3% at smaller ones. Items that grew at a slower pace at the large retailers were:

- Grain products (0,2% against 0,6%);
- Fats & oils (1,1%, 2,8%);
- Fruit & nuts (6,3%, 7,6%); and vegetables (1,7%, 3%).

Those that grew more were:

- Meat (2,5%, 1,3%);
- Fish & other seafood (1,4%, 0,3%);
- Milk, cheese & eggs (2,3%, -3%);
- Sugar (0,9%, 0,3%);
- Coffee, tea & cocoa (1,2%, 0%); and
- Other (1,2%, 0,1%).

Overall consumer inflation slowed in September. CPI over the 12 months to September rose 13,5%, down from 14,3% to August. The increase in the month was 0,7% — the lowest monthly increase since June 1991.

September's slowdown was largely due to a decline in the housing index of 1,7% in the month, or a year-on-year rise of only 0,5% — a result of the cut in mortgage rates by major lending institutions from the beginning of September. At 20,54%, housing has the largest weighting in the index.

Old Mutual economist Dave Mohr says it is difficult to gauge the effect of all the components in the housing index. "But we do know that mortgage rates make up almost half the weighting; so their effect is considerable."

The rise in the index for nonfood items, which went up 0,4% in the month, was 10% year-on-year. And the VAT-free year-on-year rate is 12% — a figure which, says AHI economist Nick Barnardt, is the lowest since 1984, when inflation fell to 10,1%.

However, food inflation detracted from the progress made by housing, with a 1,8% climb in the month, or 27,6% year-on-year.

Large increases in the month were recorded by:

- Fruit & nuts 6,2% (58,4% year-on-year);
- Vegetables 2% (76,8%); and
- Meat 1,9% (20,9%).

Mohr says the figure for fruit & nuts "may be the result of exporters demanding similar prices at home as can be obtained abroad. And the drought is responsible for vegetable price increases. As for meat, farmers are obviously restocking herds now that the worst of the drought is over." ■

FM 6/11/92

30

Pick meat 'n pay less

B/Day 6/11/92 (30)

MEREDITH JENSEN

CONSUMERS will see lower prices for red meat today at Pick 'n Pay branches and Hypermarkets throughout the Transvaal, says Blue Ribbon Meat CEO and Pick 'n Pay director Gareth Ackerman.

He said yesterday the company had allocated R3m in subsidies to reduce the price of meat to consumers. The new prices would remain in effect until the end of January.

The price for porterhouse and rump steaks dropped from R22,68/kg to R19,98, while legs of lamb and loin chops came down nearly R2/kg to R13,58 and R17,58 respectively. The price of pork chops was cut from R15,95/kg to R13,88/kg.

(2) meat

"We want to bring prices down in order to encourage people to start eating meat again," Ackerman said.

Ackerman predicted the price of meat could skyrocket before Christmas. Meat prices in Zimbabwe had already doubled in the past two weeks.

Meanwhile, the Meat Board said yesterday it would launch an advertising campaign highlighting the economic advantages of red meat.

Turnover expected to fall 2,6%

Retail sector fears a dismal festive season

BDAY 6/11/92 (30)

SHARON WOOD

RETAILERS are bracing themselves for a gloomy festive season, with economic recession and political uncertainty expected to result in a 2,6% real drop in retail sales from last year.

Worst hit during the two-month holiday period are expected to be the sales of goods that usually flourish during this time. Alcohol and beverage sales are expected to plunge 4% in real terms, sports goods sales are forecast to decline 4%, furniture and appliances by 2,4% and audio and video equipment by 2%.

A nationwide Sacob survey of 300 retailers released yesterday showed retailers were generally pessimistic and expected sales to reach R19bn, up 10,5% on the R17,2bn sales in 1991. This translates to a real decline in all sectors of retail sales based on an inflation rate of 13,5%.

A gloomy Christmas will knock retailers' prospects of emerging from recession next year because traditionally Christmas retail sales constitute a massive 22% of annual sales. In some sectors, such as jewellery, furniture and appliances, audio and visual equipment and footwear, the proportion of sales is as much as 25% of total annual sales.

Sacob economist Bill Lacey said the pessimistic outlook for the Christmas period mirrored the circumstances of the SA economy as well as its underlying political uncertainty.

Low economic growth, rising unemployment and the inability to borrow more were major constraints on the consumer's spending ability, he said. An additional factor is the reluctance to spend excessively during uncertain political times.

"Without doubt, it is the sociopolitical situation that overshadows consumer and business confidence and in this respect Christmas expectations for the retail sector are poor."

Lacklustre Christmas sales expectations are evident throughout the country, Lacey said, but the more pessimistic regions were Port Elizabeth, Kimberley and the Natal South Coast areas.

The survey also showed that persistently high inflation during the past few years had brought about a change in consumer attitudes towards prices. It said retailers expected a far higher level of price-consciousness in all sectors compared to last year. Consumers are also expected to be less quality-conscious, which suggests cash-strapped consumers will move down market, Lacey said.

Another indicator of the tough economic climate is the provisions retailers are making for shoplifting and theft. Survey respondents indicated they were providing for a factor of 1,1%-1,8% of turnover to cover shrinkage.

Lacey said this constituted a serious problem for all retailers.

Retailers said the August mass action campaign had affected business. But the impact on the food sector was less apparent than on other sectors. Lacey said to some extent the effect was limited to the days concerned and it was difficult to establish whether the overall impact on the retail trade was unduly severe.

OK takes a knock as spending drops

B/DAY 6/11/92 (30)

MARCIA KLEIN

OK BAZAARS' earnings slumped by 72,2% to R2,5m (R8,9m) in the six months to end-September as the depressed state of consumer spending continued to worsen.

CE Gordon Hood said yesterday that personal disposable income remained under severe pressure. The OK Group, which had considerable exposure to the mass consumer market, was severely affected by these trading conditions.

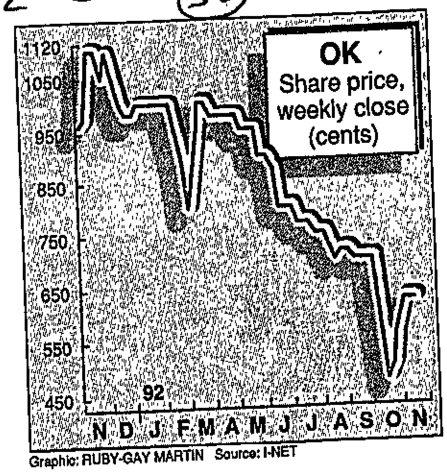
This was reflected in turnover, which increased only 4,1% to R2,5bn from R2,4bn. He said sales at the Hyperamas were not bad, but OK stores' sales showed little growth.

Operating profit, which was "constrained by pressure on margins and persistent shrinkage problems", dropped by 21,9% to R58,6m from R75,1m.

After paying interest of R57m (R57,4m), and miminal taxation, profit after tax was R881 000 compared with R9,2m in the previous year.

But a R1,6m recognition of losses applicable to outside shareholders gave the group bottom line earnings of R2,5m.

Hood said these losses reported by subsidiaries in the homeland areas were largely due to the fact that VAT had been introduced where there had previously been no GST.



Graphic: RUBY-GAY MARTIN Source: I-NET

Earnings were down by 72,2% to 20c (71,9c) a share. In line with the OK's policy of paying out about 50% of earnings in dividends, an interim dividend of 10c (37c) a share was declared.

The group has changed its equity-accounted treatment of associate finance company Okfin to that of full consolidation. Prior year financials have been re-

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OK

B\DAY 6/11/92 (30)

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stated to facilitate comparisons.

Total borrowings grew by 7,6%. Hood said gearing of 203% was seasonally high, and he expected it to be reduced by year-end. Gearing also reflected stocking up for the Christmas period as well as the fact that debtors had been brought onto the balance sheet. He said the group was working hard to improve stockturns.

Hood would make no forecasts, saying earnings for the second half would be "entirely dependent on the level of activity and on the group's ability to contain operating expenses".

But he said sales in October had shown an improvement.

The group recently opened an OK store in Swaziland, and it would open two Hyperamas, one in Pretoria next week and one in Fourways in April.

BUSINESS B

(30)

Retailers see black Christmas

RETAILERS are pessimistic about sales this Christmas, according to a South African Chamber of Business report. They expect retail sales over the November-December period, at R19-billion, to be only 10,5 percent up on last year, ie 2,6 percent lower when adjusted for inflation. Recession and political uncertainty are to blame. W/Mail 6/11-12/11/92

Low economic growth, rising unemployment, and the inability to borrow more are likely to put a cap on consumers' ability to spend.

OK holders look for change

S/Times (Buss) 8/11/92 (30)

The promise of fresh leadership is one of few positive prospects for OK shareholders. Comment by CHERILYN IRETON.

OK SHAREHOLDERS have long since given up hope that their stock will ever recover its blue-chip status.

Most can only pray that the 65-year-old chain will remain profitable.

But with its interest bill eating away almost every cent earned from depressed sales, it is only just keeping in the black, as shown by the interim results released this week.

Operating profit of R58,6-million was way short of the R75,1-million achieved this time last year and pre-tax profit was R16-million lower at R1,6-million.

The profit erosion began in 1989. At that point half-way earnings a share were 63c — compared with the latest 20c — of which shareholders received 33c.

This week the group declared an interim payout of 10c.

Analysts — they had expected worse — are now calling for drastic surgery to revive the group.

In spite of market concern, there is little evidence that parent SA Breweries is doing anything about flagging investor faith.

Management on the other hand keeps assuring shareholders that its new, computer-based stock ordering and distribution system will come to its rescue once the economy recovers. This, as managing director Gordon Hood reiterates, will promote a quicker stock turn which should boost operating efficiency and profitability.

"These things take time and we are up against a tough economy," he says.

Mr Hood told me something similar when I interviewed him four years ago. Since then there has been further deterioration in the group's financial health and the chance of any significant improvement by the March yearend is bleak, given the forecasts of poor Christmas sales.

Recession

The recession has had a lot to do with the group's inability to perform satisfactorily in the past few years.

The broad, mass-market focus of the 200-odd OK stores makes it extremely susceptible to swings in consumer spending and confidence.

Although management does not split profit figures between OK and Hyperama, it concedes that much of the 4,5% increase in turnover to R2,5-billion in the six months came from the 14 Hyperama stores.

The OK group's sales were more or less static. Mr Hood insists there is nothing wrong with the OK philosophy, but that the economy has mitigated against its success.

The opening of three Hyperamas between now and September next year should increase the group's exposure to the upper end of the market. This is expected to further enhance operating margins, which fell to 2,3% from 3%, supporting findings that cash-strapped customers are buying down.

Management denies persistent market speculation that Hyperama and OK will be split up as a precursor to a JSE delisting.

The stores operate as independent chains, although management and administrative functions are merged. Financial director Brian Borcherds insists that there are no plans to change this arrangement.

In fact, management has become much more focused in the past six months following the appointment of Mervyn Serebro as managing director of OK Stores. He has quickly decentralised functions to regional directors in a bid to improve the shops' performance.

The financial managers have turned their attention to the high level of interest-bearing debt, which at R743-million completely overshadows shareholders' funds.

Mr Borcherds says the OK's banking function is partly to blame for the high gearing ratio of 2,03 and an ideal target of 1,5 is being pursued. Some progress will be evident by the yearend.

Decade

Shareholders must hope that the market changes its opinion of OK's prospects enough to lift the share from its current R6.

This is against a net asset value of R27,92 — a level the shares last traded at almost a decade ago.

But any significant rerating is unlikely before SA Breweries tells the market who is going to step into Mr Hood's shoes when he retires. He is expected to leave the group at the end of March, shortly after his 63rd birthday. No formal announcement has yet been made.

Checkers on line

(30) S Times 8/11/92

CHECKERS-Shoprite has become the first major South African retailer to implement electronic trading through its supply chain in a bid to improve productivity and maintain costs.

Its computers will be connected to those of its suppliers by electronic data interchange (EDI). It will replace slow, error-prone manual procedures with high-speed computer-to-computer transmission of documents.

Checkers-Shoprite signed a deal with FirstNet in the First National group for the supply of the infrastructure.

Its decision to go ahead with electronic trading follows successful EDI pilot projects between the retailer and several of its suppliers in the past year.

EDI allows a retailer to meet consumer demand quickly while minimising its stock holding.

Time to stop dithering about the environment

S Times [Cape metro] 8/11/92

30

HARD-NOSED business people will have to accept that dithering about environmental awareness issues will lose them money in a world where energy-efficient products are rapidly gaining favour with the public.

This warning comes from Pick 'n Pay chairman Raymond Ackerman, whose company carries out regular environmental audits on items such as correct packaging, recycling, and waste and energy management.

"The public will support companies who show care for the environment as part of their social responsibility programme," says Mr Ackerman, who cites Swedish-based Electrolux, which won first prize in a competition for energy-efficient appliances and found it received orders for more than 10 000 of the units instead of the 500 guaranteed by the competition organiers.

Also, the Electrolux super-efficient refrigerators could be responsible for up to 50 percent of the company's sales in Germany in 1992, and total market share there is expected to increase.

" It is simplistic for sceptics to label the Green issue as a seven-day wonder and to see the involvement of various organisations in it as a market ploy," says Mr Ackerman.

"Alert business people are using the environmental issue to give them a competitive edge and at the same time enabling them to give the consumer a better product.

"The environment is going to be a key issue in making companies more efficient and competitive in the 1990s.

"The Japanese have gone much further than this and have published a 100-year environment plan.

"Maurice Strong, secretary-general of the Earth Summit conference held this year in Rio de Janeiro, says the Japanese Ministry of International Trade and Industry, which prepared the 100-year plan, believes the environment is going to be the driving force of the economy and the source of most new comparative advantages in industrial opportunity.

"He points out that the Japanese have lowered the energy and materials content of their unit of production to such an extent that they use only half the energy per unit of production that the USA does, to give them a comparative advantage of at least five percent on energy alone."

Mr Ackerman attended the Earth Summit conference in his capacity as a member of the Geneva-based Business Council for Sustainable Development, an international committee on which sit 50 chief executive officers of major companies. Representing the southern Africa region, he is one of four African members.

Information disseminated at Earth Summit showed the success of companies in developing environmentally sound products through a two-part programme which first involved cleaner production processes and then cleaner product development.

Marketing by phone

GAVIN DU VENAGE

THE much-maligned telesales remained a good marketing technique despite the abuse heaped upon it, said New Products Library researcher Derek Jermyn.

He said that when telemarketing was professionally planned and used skilled and motivated operators, the concept of a business retaining close contact with its customers around the country was essentially a good one.

"A higly trained telemarketer is as important to a company as a well paid representative, and also doubles up as an image builder," Jermyn said.

Some companies which made telemarketing a dedicated unit had had incredible success. 9/11/92

A good example was Frank & Hirsch, said Jermyn, who was himself involved in setting up the company's own telemarketing division.

Frank & Hirsch was the first to hire students from Access College, an institution that trains disabled people to operate in the workplace. Today six graduates account for 25% of the company's turnover.

penditure and having at the same time a self-destructive," Jacobs said.

Business is speaking 'with too many voices'

BIDAY 9/11/92

GERALD REILLY

PRETORIA — The need to rationalise and consolidate the large number of organisations representing business in SA had become imperative, Johannesburg Chamber of Commerce and Industry (JCCI) president Stuart Morris said last week.

Speaking at a JCCI business breakfast, Morris said business was currently represented nationally by at least 10 major bodies and a host of minor ones.

This was confusing for business, government and the public as well as for visiting trade missions, he said.

Morris said business was speaking with too many voices instead of with one strong voice.

Given the changes taking place in SA, together with growing financial pressures and the scarcity of human and other resources, it was obvious that continued support for all these organisations was neither justified nor feasible.

Morris said employers had to focus their attention and funds on fewer organisations. Duplication of effort in local chambers had to be eliminated and scarce resources consolidated.

A common game plan was needed to work towards an agreed national strategy that promoted business and the economy.

Morris said given the diversity of SA society there was still a need for more than one body representing business, but the time had surely arrived for rationalisation of existing nationally representative bodies.

Current structures serving business at national, regional and local levels needed to be critically examined to rationalise scarce resources by mergers where sufficient common interest could be identified.

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Namibia's labour code now law

0222 DIRK HARTFORD

AFTER more than two years of negotiations Namibia's Labour Code, which has been described as among the world's most advanced labour legislation, was made law last week. BDAY 9/11/92.

It covers all Namibian workers, including domestic, farm and public sector employees but excluding policemen and soldiers, who have their own statutes.

It lays down a 45-hour working week, overtime pay at one-and-a-half times normal pay and three months' maternity leave with the guarantee of the same job back. In addition, the mother's contract, including benefits, is not broken by the maternity leave.

The law allows the right to strike and picket. It also prohibits the dismissal of strikers unless the business itself is forced to close down as a result of the strike.

In addition, there is no provision for employers to claim damages against a union arising out of the strike. And non-striking workers can refuse to do "scab" work without the threat of being dismissed.

Other features of the law, which was drawn up with the assistance of the International Labour Organisation and SA labour lawyers Halton Cheadle and Clive Thompson, are that it provides for a tripartite Labour Advisory Council to make recommendations to the Minister on changes and amendments. It also provides for district labour courts, where trade union officials will be able to advise workers.

Worker committees may be formed — and enjoy certain rights — wherever there are more than 10 workers. For every 25 employees, the committee is entitled to one representative. The representative is entitled to training and may collect information on conditions of employment and health and safety.

Although the right to strike is guaranteed, certain procedures similar to those in the SA Labour Relations Act have to be followed.

COMPANIES

Banks gain where retailers suffer

(30) SHARON WOOD

TIGHT monetary policy has harmed some sectors more than others, with high interest rates taking their toll on retailers while banks have benefited. BIDAY

Recent financial results showed that banks had achieved inflation-beating earnings growth, while most retail companies had moved backwards in real terms.

Earnings growth of 16% a share by FNB contrasted with a 9% drop in furniture group Ellerine's earnings. Edgar's showed 5% growth in attributable earnings, which, although a decline in real terms, was considered excellent in view of the current economic circumstances. 9/11/92.

Martin & Co analyst Richard Jesse said the banking industry's good performance had primarily been a result of wide interest margins, which reduced the impact of recession-induced bad debts. Thus, banks had managed to perform countercyclically to the downturn.

He said the reason for the banking sector's good performance had been the reason for the retail sector's bad times. "The average retail company is hurt by the huge interest payments it must make when rates are high."

However, Ed Hern Rudolf retail analyst Syd Vianello said the interest burden on retail companies had already started to ease and would become less onerous during the next six months. The cost of debt had fallen dramatically since July, he said.

Business mood 'still vulnerable'

BDay 10/11/92 (30)

HILARY GUSH

A DEPRESSED world economy, declining consumer spending and political uncertainty continued to erode business confidence, the SA Chamber of Business (Sacob) said yesterday.

The business confidence index (BCI) — a short-term barometer of business mood — dropped slightly, by 0,1 of a percentage point in October to 90,1 on the back of a deterioration in seven of its 13 sub-indices.

Sacob director-general Raymond Parsons said: "In addition to the adverse impact which uncertainties generated by the political process have continued to give rise to, the business community has yet agian been battered by the combined effects of a depressed world economy and declining consumer spending.

"As a result business sentiment is still vulnerable," he said.

He said following a downward revision of growth prospects in the industrialised economies, the prospects of a local export-led recovery had faded.

Rising unemployment, relatively expensive credit, negative real wage and salary increases and the effects of the drought had dampened domestic demand.

Despite an "encouraging drop" in inflation in September, Parsons said the depreciation of the rand and the burgeoning government deficit had contributed to the delay in the long-anticipated Bank rate cut.

"As a result, the real cost of credit has increased, and the pressure on disposable incomes remains high."

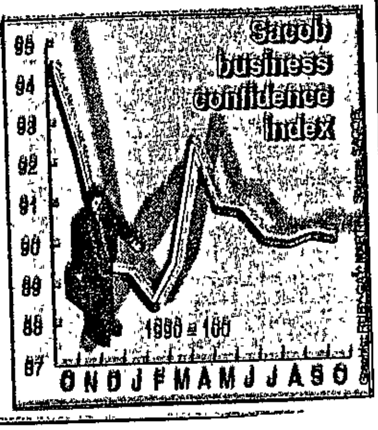
Given expectations of wage and salary increases of between 5% and 10% in 1993, Parsons said inflation would have to fall to around 7% before pressure on disposable incomes started to subside, and consumer demand picked up.

"Despite the many negative factors there is some glimmer of hope," Parsons said.

Lower inflation and softer interest rates in the months ahead, as well as higher-than-expected turnovers over Christmas could help bolster business sentiment.

Early summer rainfalls had heightened chances of a speedy end to the drought, while recently announced measures aimed at reducing the level of violence boded well for an improved business mood.

However, Parsons cautioned that "progress on the political front remains the dominant factor in shaping business and consumer confidence".



Furniture traders' sales picking up

BDM 10/11/92 30

MARCIA KLEIN

SALES of furniture, appliances, TV and audio equipment, which have been severely depressed for most of the year, showed some improvement in September.

Figures compiled by the retailer liaison committee show that sales growth in September was up by 11,4% in nominal terms, compared with September in the previous year.

The sales figures seem to support market perceptions that retail sales could have hit their lowest point in August, and could be poised to improve steadily in coming months.

Furniture Traders' Association executive director Frans Jordaan said that during September there was a significant increase in purchases made by blacks.

Sales of audio products showed good growth, but sales of TVs and video recorders were poor.

Although sales figures for September looked more promising, sales in the quarter from July to September grew by only 8,7% in nominal terms.

In the 12-month period to end-September, overall sales growth was 4,1% in nominal terms.

November and December were normally good months for furniture.

Wiese outlines retail strategy

CAPE TOWN — Cost control and internal efficiencies would be vital to the future survival of retailers in offsetting expected pressure on margins, said Pepkor executive chairman Christo Wiese. (30)

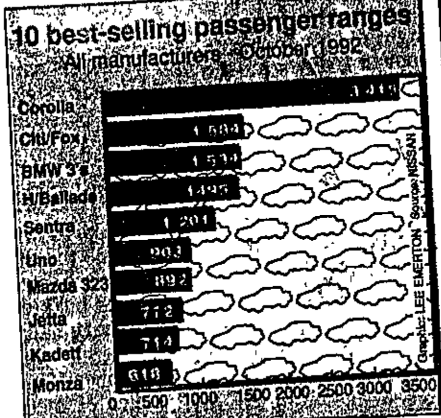
He said as SA re-entered the international market, foreign retailers would want to obtain a foothold in SA as a springboard into Africa. BDay

"To keep on our toes, hikes in retail profit margins will have to come mainly from cost control measures. Already in these tough times we are seeing a gradual erosion of margins due to expenses such as labour and rentals growing at a faster pace than turnover, and hence gross income.

"Gross margins will have to be continually cut, while retailers aggressively grow market share, raising levels of productivity and driving increased sales volumes over the same or smaller spaces."

Food retailers, for instance, operated on high volumes and net margins of below 2%, so that controlling the inventory level along with actual selling and the funding of stock, were key financial issues, he said. 10/11/92

Wiese said it had been predicted the new economic mobility among blacks would result in white shoppers accounting for only 38% of retail sales (1970: 68%) and black shoppers 45% (23%).



New car sales up for second month

B/DAY 11/11/92

(30)

EDWARD WEST

OCTOBER's new vehicle sales exceeded industry expectations and gains were made in all four sectors of the market for the second month in succession, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

Strong demand for new models and various manufacturers' incentive schemes contributed to the second best monthly new car sales figure in 1992, with sales reaching 17 035 in October, 7,7% higher than the 15 820 sold in September.

However, Toyota SA marketing MD Brand Pretorius warned that it was wrong to read any strong positive signals in October's vehicle sales because economic fundamentals were not in place.

Nissan SA marketing MD Stephanus Loubser said October was traditionally a good month for the industry as fleet purchases were made before the end of the financial year by many companies.

☐ To Page 2

Car sales

B/DAY 11/11/92 (30)

☐ From Page 1

Compared with the 15 593 cars sold in the same month a year ago, October 1992 sales were up 9,2%. Light commercial vehicles, bakkies and minibus sales at 8 597 were marginally higher than the 8 544 sold in September and 1,4% up on the 8 478 sold in October 1991.

Sales of medium commercial vehicles improved 2,7% to 298 and those of heavy commercial vehicles rose 12% to 497 compared with September.

However, medium commercial vehicle sales were 25,7% lower than the 401 sold in October last year and 18,2% fewer heavy vehicles were sold in October 1992 compared with the 608 sold in the same month a year ago.

New vehicle sales continued to lag levels achieved last year, with new car sales about 9,3% below levels in the first 10 months of last year. Light commercial vehicle sales were down 8,4%, medium vehicles 21,3% and heavy vehicle sales down 9,7% over the same period.

The improved performances of the new car and light vehicle market segments were encouraging, but trading conditions were likely to remain difficult in the short to medium term, Naamsa said.

Pretorius said there were indications that the positive trend would continue in November. However, the forecast of 180 000 new car sales in 1992 remained valid, he said.

Apart from Samcor, all local manufacturers increased sales over September, said Loubser. Toyota was still number one with a total market share of 28,4%, followed by Nissan with 16,8% and Samcor with 15,8% of the market.

NATION BUILDING *How to start small but end up with a big future - with the Sowetan's idea!*

Guests at the *Sowetan* Entrepreneurial Development Conference.

Sowetan 11/11/92 (30)

Small and walking tall

By Joshua Raboroko

BIG PLANS *Conference was milestone in the history of the small business world:*

THE *Sowetan* Small Business and Entrepreneurial Development Conference last month was an important milestone for blacks in South Africa.

It rekindled the spirit of entrepreneurship among African participants, who were also addressed by international speakers

Among the participants at the three-day summit were African entrepreneurs, Commercial and Development Finance Bankers, International Finance and Development Agencies, representatives of the Africa Project Development Facility (APDF) and the World Bank.

The conference, sponsored by *Sowetan* and the Development Bank of Southern Africa, focused on how indigenous African entrepreneurs could work together and promote and motivate the spirit of competitive business on the continent.

It suggested that "entrepreneurs will play a central role in the transforming African economies".

Africa's future

A consensus, increasingly reflected in policy reforms and other initiatives, was forming around that vision of Africa's future.

It was contended that while more and more policy makers and aid donors believed that future development in Africa rested with entrepreneurs and markets, there were different views on how they could effectively lead that development.

Create jobs

One of the speakers at the conference, APDF general manager Mr Alexander Keyserlingk, said as soon as a political settlement was reached in South Africa, "we will enter with the aim to help small business people".

"Africa needs more entrepreneurs in order to be able to create job opportunities and wealth

"The continent will have to address the question of poverty in a more vigorous manner," he added.

Worked on

The APDF has worked on 23 projects in African countries. The projects in which about R144 million has been invested, are expected to result in the creation of 2 000 jobs.

In its five years of existence, it has worked on 110 projects in various countries resulting in the creation of business opportunities for more than 11 000 people.

Victim syndrome

"We are on the right track to economically empower the people to become job creators thus rejecting the victim syndrome and really trying to make them believe in themselves and to help growth in the country."

Speakers at this milestone conference included PAC economist Mr Sipho Shabalala, Nafcoc president Mr Archie Nkonyeni, Fabcos' Mr Gaby Magomola, SBDC's general manager, Mr Joe Schwenke, and the APDF's Harare-based Mr Omari Issa.

'ATION BUILDING *Helping up the underdog with the assistance of a caring company*

Happy children at a creche in Guguletu near Cape Town admire the beautiful hand-made toys that have been donated to the school. All the toys were made by senior citizens who entered them for Sanlam's Pretty Things for Little Things Competition.

Banking on a growing society

Sowetan 11/11/92 (30)

By Joshua Raboroko

■ REACHING OUT *Sanlam makes a commitment to helping the disadvantaged:*

THE DEVELOPMENT OF the small business sector for a sound and flourishing economy is just as important as education.

Expanding the small business sector ensures participation in the free-market system, which is the sound basis for economic prosperity.

As one of the largest shareholders of the Small Business Development Corporation, Sanlam is at the forefront of small business development in South Africa.

Sanlam senior public affairs manager Mr Leon Koen says: "We are fully aware of the critical importance of the small business sector in paving the way to economic recovery."

The thrust of the company's corporate responsibility programme in relation to small business development is concentrated in two areas - the promotion of the concept of entrepreneurship and advancement thereof through training.

To achieve the first end the company sponsors several competitions in conjunction with the SBDC and *Sowetan* to promote and encourage entrepreneurs and new business ideas.

According to Koen, Sanlam's contribution in the area of training is diverse and includes support for organisations such as the South African Free Market Foundation, the South African Foundation for Entrepreneurship Development, Get Ahead Foundation, Africa Cooperative Action Trust, Triple Trust, Valley Trust, the Independent Business Enrichment Centre, Informal Business Training Trust and the African Businesswomen's Development forum.

Moreover, in conjunction with the northern Transvaal Technikon the company established the Sanlam Centre for Small Business management, which provides vital training for business people in the informal sector.

"Sanlam has not only become an important player in South Africa's economy as a life assurer and investor of policy-owners' funds, but its involvement in social and business upliftment, as well as education and training, clearly illustrates the company's acceptance of a much wider role.

"It shows our deep commitment to the future of all South Africans," Koen says.

Referring to welfare and health-care, Koen says far-reaching political and economic change in South Africa, as well as unemployment and health and housing problems, have placed unparalleled demands on welfare and health services.

"Comprehensive political and economic changes provide massive challenges.

"A shortage of job opportunities, health problems such as tuberculosis, AIDS and malnutrition, as well as a shortage of housing, are making demands on the already-shrinking resources of the government and also on every individual.

"This situation places a double burden on welfare and health organisations.

"We regard it as our duty to help, so that all of us can look forward to a brighter future. That is why Sanlam supports more than 50 welfare and health organisations. We must help to pull the cart of economic upliftment, and this we do gladly," he adds.

Regarding education, he says there are today many conflicting views on the future of South Africa.

Politicians oppose one another and philosophers debate their divergent scenarios. Even businessmen and the collective man-in-the-street are divided in their hopes and dreams for the new South Africa.

The only fact about which there can be no argument is that education and training will play a critical role in our shared future. Every right-thinking South African will agree with this.

"The factors which will determine our quality of life and standard of living are not simply technology, factories or equipment.

"Our major assets on which we must depend are our human capital - our individual and collective insights, abilities and skills. These are the seeds which, if sown wisely, will blossom into a bright future for all of us," says Keon.

"But to prosper and grow these seeds need nurturing - nurturing which can only be provided through education and training

"We at Sanlam realise this full well, which is why the major part of our corporate social involvement is allocated to education and training."

Sanlam supports education from preschool to tertiary level. One of its most recent projects is the Sanlam Saturday School for black matriculants. This rewarding project is run in conjunction with the University of Potchefstroom.

To assist the company in its task of allocating funds for corporate social involvement, it conducts regular research to determine the areas in greatest need of its support.

In addition, the company conducts surveys among its policy-owners to ascertain their preferences with regard to the allotment of funds.

Acting on the results of this research, the company extends financial aid mainly to education and training, the development of small business sector, job creation, welfare and health-care.

But it does not stop there. It also supports nature conservation, sport, culture and several other community projects. When Sanlam's name is mentioned, one can be forgiven for seeing a mental picture of a huge institution involved in many sectors of the economy. But the truth is that it has - first and foremost, always been, and still is, a leading life assurer.

It therefore seems reasonable to claim that it actually performs a social function, through helping people to help themselves and through providing financial peace of mind and financial growth.

The company is owned and ultimately controlled by about two million policy-owners of all population groups.

Checkers faces full boycott

CT 11/11/92

JOHANNESBURG. — Checkers/Shoprite is facing a nationwide boycott which could spread to all stores of the Pepkor group, the South African Commercial, Catering and Allied Workers Union (Saccawu) said yesterday.

30

The boycott, which began on November 1 to demand the reinstatement of sacked workers at Checkers' Heidelberg store, has the support of the ANC, the PAC and other organisations, Saccawu official Mr Sallim Vally told a news conference here. — Sapa

CNA Gallo performance beats market expectations

BDAY 11/11/92. (30)

MARCIA KLEIN

RETAIL and entertainment group CNA Gallo (Cnagalo) dropped its interim earnings to end-September 4,2% to 37c (38,7c) a share, but results were better than market expectations.

In April the group acquired the remaining 50% interest in Nu Metro, which was previously equity accounted. The results reflected the consolidation of Nu Metro for the first time, making comparisons with the previous period difficult.

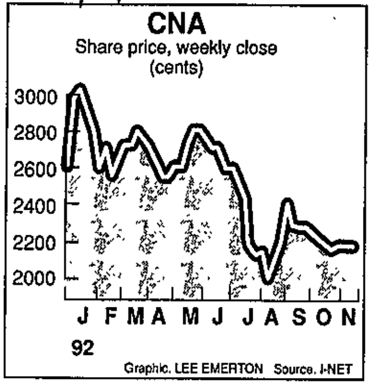
Turnover increased 15% to R419,7m (R364,2m), but MD Dennis Cuzen said turnover rose 5% on a comparable basis.

Operating profit was up 23,9% to R21,9m (R17,7m), but 45,4% higher net financing costs of R10,3m — resulting largely from the Nu Metro acquisition — saw pre-tax profit rise 11,7% to R12,9m from R11,5m.

A decline in the group's share of associates' earnings saw profit after tax drop 5% to R12,9m (R13,6m), and attributable earnings decline 4,2% to R12,3m from R12,8m.

The group maintained its interim dividend of 13c a share.

Cuzen said despite further successes in maintaining margins and containing expenses, the lack of sales growth resulted in the decline in attributable earnings.



The retail division increased its contribution to attributable earnings from 8,4% to 11,9%, entertainment from 27,2% to 29,1% and support from 11,5% to 15%. But the contribution from associates dropped due to the consolidation of Nu Metro.

Apart from the Nu Metro acquisition, Cnagalo also acquired a 50% interest in publishing company Heinemann/Centaur and increased its stake in Waltons by acquiring 700 000 shares for R2,8m. This brought its stake in Walhold to 22% and its effective stake in Waltons to 12%.

Cnagalo also expanded aggressively into the Cape Town Waterfront, where it opened an Exclusive Books, a CNA store and 11 Nu Metro cinemas. The effect of these openings would come through in the second six months, Cuzen said, and initial turnover signs were encouraging.

Cuzen said Cnagalo had also made a strategic decision to sell non-core and unproductive assets.

It had disposed of its shares in CTP, its 20% interest in Video Lab, Academic bookshops, Premier Freight and the Premier Freight building.

The group had already realised over R20m, and would realise a further R5m when the programme was complete. This would result in a net capital profit of about R252 000, reflected in an extraordinary item.

Cuzen said CD sales had risen 85% in the period, while sales of cassettes and vinyl were down 28% and 62% respectively. Cnagalo would invest R2m in expanding the CD line.

He said the group continued "to rely heavily on trading in the peak Christmas and back-to-school seasons". Every effort had been made to ensure that the group was well placed to capitalise on these opportunities, but the board did "not anticipate any improvement in the level of earnings for the full financial year".

Saccawu adds fuel to boycott

Sowetan 11/11/92 30

■ **Ban on supermarket extends to chain of furniture stores:**

THE South African Commercial Catering and Allied Workers' Union has called for the intensification of a consumer boycott against several chain stores and furniture shops.

The boycott, which started at the Checkers store in Heidelberg on November 1, is to be extended to the group's other stores throughout the country.

Also targeted for the action are Lubners-Melodys Furniture shops and the Maponya Discount Stores in Soweto.

Speaking during a Press briefing in Johannesburg Saccawu's Salim Vally said political organisations spoken to fully supported the consumer boycott. These included the ANC, PAC, Azapo, SACP and Wosa.

Vally accused the police and the companies' management of racism and intimidation of workers, some of whom had charges of intimidation brought against them.

"There's been a pattern of intimidation and harassment of legal strikers and the charges of intimidation must be laid on the police and the companies who always call on the police at the drop of a hat," said Vally.

He said the union's immediate programme of action included a march on Tuesday next week to the offices of the Anglo American Group and the Checkers head office.

According to Saccawu shop steward Mr Fanuel Masinga, the union rejected Maponya's offer of a split increase of R60 and R40 in February and August 1993 respectively.

Said Vally: "Maponya is now pleading poverty while we know for a fact that he owns several franchises with big companies."

Buy-aid group to pay out R14m in bonuses

LINDA ENSOR

CAPE TOWN — The R277m buy-aid organisation Cape Consumers would pay out nearly R14m in bonuses to its approximately 25 000 members, an increase of 13,9% over last year's bonus figure, GM Piet Hugo announced yesterday.

Turnover for the year was more than R277m. BIDAY 12/11/92

Bonuses paid by Cape Consumers are derived from the discounts received from the more than 2 000 contracted suppliers with whom members do business.

Bad debts were restricted last year to 0,5% of turnover. Irrecoverable debts of R1,4m were written off compared with R838 673 the year before. 246

Membership grew 15% last year. 30

Jabu Mabuza ... "refused to be a front"

Sowetan 13/11/92 (30)

● **continued from previous page**

dramatic turn when Press reports indicated he would resign from the Fabcos board at the end of the year.

Magomola has denied he had violated the agreement by talking to the Press. "I don't want to be involved in controversy but I can now confirm that I have resigned from the FutureBank board and I will be stepping down as a Fabcos board member at the end of the year," he says.

He says he shares the belief that Fabcos is collapsing. He will not elaborate until after the joint statement with Fabcos.

However, Mabuza says Magomola had no respect for Fabcos' management.

It is understood that when FutureBank was formed the three had agreed the chairmanship would go to one of them.

Chapman stood no chance because he is white and Magomola was not suitable for the position because of the "suspicious" reasons why he had left African Bank in 1989. Mabuza had then become an "automatic" choice for the chairmanship.

But insiders say the move was supposed to be a temporary one and Magomola was to take over later once a trading licence had been acquired and he had been cleared by the Reserve Bank.

Things did not go as planned, however, when Mabuza refused to step down even after Magomola had submitted a certificate from the Reserve Bank clearing him from the African Bank "scandal".

Eventually, Mabuza managed to win the support of the board to oust Magomola.

On his resignation Chapman indicated he would sell all his shares in Taxi SA Marketing but later changed his mind. He still has a substantial stake in the company. He has also offered to act as consultant for Sabta but the offer was rejected.

"Following that response, Chapman went on record during a shareholders meeting as being in direct competition with us. Soon afterwards we got reports that he was interfering with our structures in Pretoria and the Western Cape," says Mabuza.

Chapman has countered: "How can I go out of my way to harm an organisation I helped build up?"

But Mabuza has not taken this lying down. "If I had known that Chapman was just a white man involved in our activities to further his own personal interests, I wouldn't have defended him four years ago when he was heavily criticised.

"I did not know that he wanted me to front for him and be executive chairman to everybody else but Chapman," he says.

FM 13/11/92 (30) FOX

OK BAZAARS FM 13/11/92 (30)

Fading interest cover

Had it not been for the recognition of losses applicable to outside shareholders, attributable earnings would have been substantially lower than reported. This resulted in R1,6m being added to the after-tax profit of R881 000, giving EPS of 20c for the six months to September, still 72% less than those of the previous year.

Most striking feature of the interim results is the colossal R56,9m interest paid out of operating income of R58,7m — leaving little room for flexibility. Implications for gearing are obvious. Debt:equity has climbed to 203%, up from 195% six months ago. The OK's banking function is partly to blame; the group has changed its equity accounting treatment of the associate finance company Okfin Ltd to that of full consolidation. Even so, a huge proportion of income is being absorbed to service debt.

This is the OK's most pressing problem, says CE Gordon Hood. There is no question that the key to lower gearing lies in the reduction of stock levels. Improving stock turns through the new centralised warehousing and distribution system, with computerised space allocation and ordering systems, will reduce excessive lead times. Management is hoping the system will reduce stock by about R100m when running in all applicable departments.

The system, imported from the UK, is operating now only for the grocery and health & beauty departments. Financial director Brian Borcherds says progress has been made, but much more must be achieved if gearing is to be reduced. According to Borcherds, this system will be deployed in other nonfashion departments only once the benefits have been realised from the departments now operating under the system.

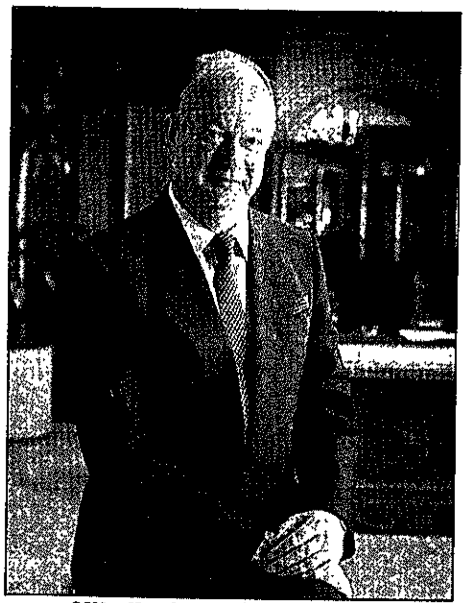
Despite assurances that the new computerised system will turn the group around when the economy recovers, it will need time and shareholders may well be sceptical. It must be asked how OK will fund planned growth in the business — about R51,4m has been earmarked for capex this year — while still achieving the stated aim of reducing gearing.

Hood says the high level of borrowings (R744m) is seasonal. "The stores are stocked up for Christmas and success in reducing stocks lies in buying right and we hope to have achieved this."

Turnover rose only 4% and Hood concedes most of this growth came from the 14 Hyperamas. OK has been criticised for its mass-market focus, which requires it to carry ranges across the board. He contends that while some ranges have been rationalised, there is little difference in the stock carried by the Hyperamas and OK stores. The difference lies in the location. Many of the 180-plus OK stores are in outlying areas, where consumer spending is more sensitive to drought and lay-offs.

At R6, the share trades well below NAV. With the economy unlikely to provide the necessary stimulus for consumer spending, and SA Breweries doing little towards improving market sentiment, the share may weaken further.

Marylou Greig



OK's Hood ... *debt the most pressing problem*

OUCH!

Six months to	Sep 30 '91	Mar 31 '92	Sep 30 '92
Turnover (Rbn)	2,44	5,04	2,54
Operating income (Rm)	75	102	59
Attributable (Rm)	8,9	9,4	2,5
Earnings (c)	71,9	75,3	20,0
Dividends (c)	37,0	37,0	10,0

focus on Fabcos

Sowetan 13/11/92.

The Foundation for African Business and Consumer Services seems to be headed for disintegration as a result of an alleged power struggle among senior officials.

Mzimkulu Malunga reports: (30)

Gaby Magomola ... cleared by Reserve Bank

PERSONALITY CLASHES BETWEEN three senior officials of the Foundation for African Business and Consumer Services (Fabcos) have thrown the organisation into a crisis.

Two have resigned.

At the core of the power struggle is the chairmanship of FutureBank and other problems regarding Fabcos' lifeline, the black taxi industry.

None of the three officials has denied there has been disagreement on the issues.

The three are Taxi SA Marketing chief executive Jabu Mabuza; the company's former joint managing director, James Chapman; and its non-executive chairman, Gaby Magomola.

There are signs that the dispute is speedily seeping down to grassroots level and is threatening to bring down the whole edifice - painstakingly built up from modest beginnings.

In the past two weeks three major incidents, which could have a bearing on the company's future, took place within Fabcos.

Firstly, Magomola resigned - it is believed he was forced to do so - and at about the same time Project Spear, a taxi driver training scheme run by the company, closed down. And early this week another company wing, Ads on Taxis, also folded.

Ads on Taxis managing director Colin Judin said the project was scrapped because Fabcos could not raise enough cash to sustain it.

Earlier this year Fabcos retrenched 143 of its staff, including senior officials, which effectively disbanded some of its departments such as public affairs.

Branch offices in Cape Town, Bloemfontein, Durban and Johannesburg have also been shut down. "Fabcos now exists in name only but in practical terms it is no more. Funds began to dry up a long time ago," says a former official of the organisation who asked not be named.

To compound matters, First National Bank is also reported to be angry with Fabcos following the organisation's failure to adhere to a promise to deliver stokvel members to the bank's club account scheme.

The planned scheme with FNB was to have replaced the SA Perm's club account project with the National Stokvels Association of South Africa (Nasasa) after the former had pulled out. Nasasa is one of Fabcos' affiliates.

Fabcos' biggest affiliate, the Southern Africa Black Taxi Association (Sabta), is also reported to be in tatters.

There is apparent national discontent with Taxi SA Marketing, which is accused of "dictating terms" to Sabta's elected leadership.

"We started Sabta when apartheid was as hot as Indian chillis but these young men who arrived yesterday want to tell us what to do," says executive committee member of Sabta's Pretoria United Taxi Association (Puta) Mr S J Mgidi.

And Puta chairman and Sabta executive committee member Mr Enos Makena says 13 of the 17 regions in the Transvaal are unhappy with both the provincial and the national leadership.

"That is why we were picketing during both Sabta's and Transvaal Taxi Association's (TTA) annual meetings this year," he says.

Moves are also afoot in the Western Cape to undermine Sabta's national leadership and launch a splinter group.

Sabta officials in the region claim Chapman is poaching their members by using a coloured taxi association.

Chapman has confirmed he is working with certain structures in the Western Cape but claims he was approached to do so.

Speculation that Fabcos was on the verge of collapse increased after Chapman's departure early this year. He is believed to have been instrumental in turning the taxi industry into a money-spinning machine.

When Magomola announced he was stepping down at the end of the year an internal battle, which had long been simmering, erupted into the open.

"There is something seriously wrong within Fabcos. You must note that it is no longer myself alone who has left the organisation. Mr Magomola has resigned as well," says Chapman.

Sources within the organisation are suggesting Magomola was "advised" to resign following suspicions he and Chapman were colluding to topple Mabuza.

Initially, both Magomola and Fabcos had agreed to issue a joint statement "to avoid the negative impact" that his resignation announcement would have. But the issue took a

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FM

CNA GALLO 13/11/92 (30)

Watching the margins

CNA Gallo isn't keeping pace with inflation, but then not many companies are, in this recession. The interim results show a modest

← Continued →

FM 13/11/92 (30)

5% increase in turnover over the year-ago period and operating profit rose similarly, evidence that margins and costs are being watched with vigilance.

The interim dividend was maintained at 13c at expense of cover, which fell from 3 to 2,8 times — not unreasonable, considering current circumstances.

An interesting feature is that CNA has consummated its deal over Nu Metro, whose results are now consolidated. This produced some intriguing figures: financing costs ballooned more than R3m to R10,3m. It reflects an increase in borrowings from parent company Premier to R58m, nearly all applied in financing the Nu Metro acquisition.

Debtors grew to R76m, an increase of R25m from March, but most of that is accounted for by the sale of non-core assets, the proceeds from which are awaited. These are expected to be fully paid by the year-end next March. MD Denis Cuzen says normal trade debtors are under tight control.

NAV has fallen 17% to R4,92 a share. Nearly all of this is accounted for by a fall in shareholders' funds of R33m, a number which will certainly raise eyebrows. It's caused, says Cuzen, by a decision to write off about R40m in goodwill arising from the Nu Metro transaction. That is a solid, conservative approach; shareholders may not care for its immediate effects on the balance sheet but they will be pleased with it in later years.

The share is trading at R22 on a p:e of 13,6. When the *FM* last reviewed this company, in August, the price was R21,25, then a 12-month low. That the price has gone up in a market of unredeemed gloom is a tribute to investor confidence in management.

David Gleason

MCRETAIL FM 13/11/92 (30)

Expansion continues

Activities: *‡Sells furniture and appliances through the Beare Group; branded merchandise through Game Discount World; and clothes through Clobea (Bee Gee).*

Control: *McCarthy Group 84-95%†.*

Chairman: *Brian McCarthy; CE: Terry Rosenberg.*

Capital structure: *39m ords. Market capitalisation: R117m.*

Share market: *Price: 300c. Yields: 10,0% on dividend; 34,3% on earnings; p:e ratio, 2,9; cover, 3,4. 12-month high, 425c; low, 230c. Trading volume last quarter, 119 000 shares.*

Year to June 30‡	**'92**
ST debt (Rm)	113,0
LT debt (Rm)	36,4
Debt:equity ratio	0,34
Shareholders' interest	0,58
Int & leasing cover	1,59
Return on cap (%)	17,2
Turnover (Rm)	1 219
Pre-int profit (Rm)	131,4
Pre-int margin (%)	10,8
Earnings (c)	102,9
Dividends (c)	30
Net worth (c)	(383)

† Minimum to maximum undiluted control, dependent on acceptance of the offer open until November 20.
‡ Operations and accounts of the former Prefcor only.

Since the listing 14 months ago, McCarthy Retail (McRetail, formerly Prefhold) has taken shareholders on a bumpy ride. The share, issued at R5, has not traded above 475c and stands at 280c. A low of 230c was reached last month, the share being pulled down partly by negative market perception of Prefhold's merger with McCarthy Group.

The merger, effective from July 1 and ratified by shareholders on October 20, makes McRetail the 100%-holding company of the former Prefhold businesses, McCarthy motor group business, and gives it a 36% holding of motor parts company Midas.

Coming interim results for the enlarged group should give some indication of how well the merger is working. By then, an additional 115,8m ordinary shares will have been listed, issued by McRetail for the ac-

& Continued →

quisition of McCarthy's assets, as well as up to 23m ordinary shares and 63m senior and junior convertible debentures subscribed for by shareholders in terms of the offer which closes on November 20.

CE Terry Rosenberg has stated clearly that the group's two main components — motor and retailing of durables and semi-durables — will remain separate.

The former Prefhold's respectable results to June 30 helped to nudge up the price of the ordinary shares from the September low. The junior and senior convertible debentures remain attractive, at R5 and 650c, above the premium of about R1,60 estimated by analysts at the listing.

With hindsight, while August 1991 was a favourable time for McRetail to list, it was not a good time to buy shares. Soon after the listing, retail, especially furniture, shares weakened.

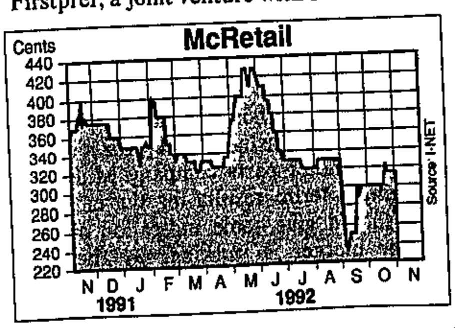
Considering the difficult retail trading climate, the listing forecasts turned out to be too ambitious. The biggest deficit was the 26% shortfall in operating profit — at R107,3m, about R28m below forecast. EPS were only 5,9c off the prospectus forecast and the projected dividend of 30c was met.

McRetail's results are creditable in that they have been produced during an ambitious growth programme which Rosenberg wants to finance through equity rather than debt. This shows two immediate benefits of the merger — a combined *pro forma* balance sheet reveals ordinary shareholders' funds of R591m, rather than the present R217m, and debt:equity improves from 34% to 22%.

Incorporation of the group in June last year, when the businesses of Prefcor and its subsidiary Pref-Stores were bought for R488m, throws up some anomalies. The purchase price included R172m goodwill and R195m for trademarks and trade names, which, when deducted, leaves net worth at a negative 383c a share. Since the merger, *pro forma* NAV, including trademarks, is 193c.

Expansion was concentrated on the Beares' furniture and appliances division, the biggest contributor to operating income (86%) and turnover (62%). A net increase of 27 new stores brought the division's total to 220 outlets, under 28 trade names. Sixteen new stores are planned for this year, as well as two new Bonus Building Supplies stores, a new foray into retailing building materials on credit.

Such rapid growth should sound alarm bells but Beares' HP book is backed by Firstpref, a joint venture with First National



McRetail's Rosenberg ... *prefers equity financing*

Bank, which offsets risk. Control seems good. Director Hymie Sibul says bad debt write-offs are 3,5% of sales and arrears are 9,9% of the total book. Those figures are up on last year but some previous years have been worse.

The focus of expansion this year will switch to the cash side of the business, with several new Game stores opening, mainly in the Transvaal. By year-end, trading space is to increase by about a third to 50 000 m². Clobea, the clothing division, will continue its expansion. McRetail is taking advantage of the depressed economy to secure favourable leases and good sites.

Much will depend on the emerging black retail market, to which the merged group has pinned its hopes.

Most of the negative sentiment shown by the share price may have worked its way through, suggesting the price has bottomed. But investors will need to have faith in management and the market they are steering the group towards. *Shaun Harris*

FM 13/11/92 (30)

ELLERINES

Second-half recovery

Protestations that the furniture industry will do well in the medium term carry little weight with investors when a big furniture trader such as Ellerines reports its first earnings drop since 1985.

The year's trading falls neatly into two parts. Sales in the first six months were disrupted by strike action and declining consumer spending, resulting in a 32% decline in interim earnings. Chairman Eric Ellerine says the ability to contain expenses and exercise a tight control of assets turned this into a full-year decline of 9%, after an increase in second-half sales of 9% and a 16% rise in operating profit.

The balance sheet remains strong, with gearing at a reasonable 17%, though this is up from 10% in financial 1991. A higher tax bill is the main factor behind this increase.

The debtors' book, which is funded entirely from internal capital, has a gross value of R522m, of which R164m, or 31%, is provided for doubtful debt, down from the previous year's 34%. Ellerines also provides comprehensively for deferred tax, which is worth R84m on the balance sheet, up 18% on year-ago levels.

The group opened 21 new stores during the year, bringing the complement to 354. Some stores were re-sited or enlarged. It owns 28 properties, housing 37 of its stores and head office. Its market is almost exclusively black, except in the FurnCity chain, and focused at the middle market. Some 42% of Ellerines' net after-tax profit was from outside SA, compared with 33% the previous year.

The JSE Furniture and Household index has continued to weaken over the past 12 months, offering one of the highest earnings yields on the JSE, at 18%. But, says Ellerine, the main impetus for growth will come from accelerated pace of urbanisation. With housing sure to be a priority in the new SA, the medium-term outlook is promising even if durable spending does not increase in real terms until 1994.

The group has healthy provisions to fall back on in difficult times and looks well placed to capture market share from more financially strapped competitors. Ellerine is forecasting improved results in the current year.

Since peaking in April 1991, the share has lost some R25. This aside, the share is the top performer in its sector and as such is worth watching.

Marylou Greig

FM 13/11/92 (30)

Activities: *Retails furniture and appliances, predominantly on HP, through the Ellerines, Town Talk, Royal Furnishers, Oxford, Rhein Gold and FurnCity chains in SA, the homelands, Swaziland, Botswana, Lesotho and Namibia.*

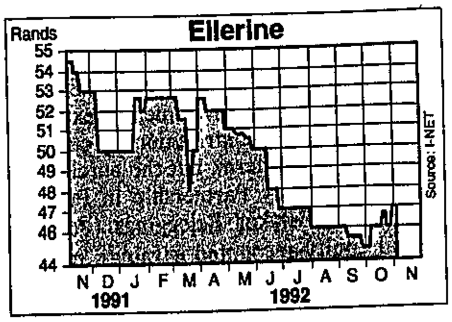
Control: *Malbak 59,5%.*

Chairman and MD: *E Ellerine.*

Capital structure: *7,2m ords. Market capitalisation: R346m.*

Share market: *Price: R48. Yields: 4,9% on dividend; 14,6% on earnings; p:e ratio, 6,8; cover, 3,0. 12-month high, R56; low, R45. Trading volume last quarter, 26 850 shares.*

Year to Aug 31	'89	'90	'91	'92
ST debt (Rm)	—	—	22,9	43,5
LT debt (Rm)	—	—	—	—
Debt:equity ratio	—	—	0,10	0,17
Shareholders' interest	0,57	0,54	0,53	0,54
Int & leasing cover	n/a	n/a	n/a	n/a
Return on cap (%)	21,0	25,5	24,6	20,24
Turnover (Rm)	389	483	592	588
Pre-int profit (Rm)	58,9	87,1	104,8	97,8
Pre-int margin (%)	15,1	18,0	17,7	16,6
Earnings (c)	513	669	774	702
Dividends (c)	166	221	257	233
Net worth (c)	2 304	2 583	3 128	3 595



FM 13/11/92 (30)

Ellerines' Ellerine ... *forecasting improved results*

BRIAN PORTER FM 13/11/92

More liquidity needed

Activities: *Sales and service of new and used motor vehicles.*
Control: *Directors 71,5%.* (30)
Chairman: *B B Robinson; MD: A M Porter.*
Capital structure: *2,8m ords. Market capitalisation: R11,8m.*
Share market: *Price: 417c. Yields: 4,3% on dividend; 15,2% on earnings; p:e ratio, 6,6; cover, 3,5. 12-month high, 500c; low, 380c. Trading volume last quarter, 12 000 shares.*

Year to June 30	**'89**	**'90**	**'91**	**'92**
ST debt (Rm)	7,8	7,0	8,9	13,8
LT debt (Rm)	3,7	3,8	3,9	3,8
Debt:equity ratio	0,58	0,49	0,55	0,71
Shareholders' interest	0,37	0,37	0,36	0,33
Int & leasing cover	3,6	2,5	2,5	2,0
Return on cap (%)	4,7	13,4	11,4	10,1
Turnover (Rm)	245	287	307	341
Pre-int profit (Rm)	7,8	7,9	7,4	7,6
Pre-int margin (%)	3,2	2,7	2,4	2,2
Earnings (c)	111,8	91,4	78,2	63,4
Dividends (c)	30	25	21	18
Net worth (c)	686	769	809	855

As might have been expected in this economic environment, the EPS of Brian Porter Motors (Porter) fell again in the 1992 year. Shortly thereafter, the group suffered an irreplaceable loss, when founder and chairman Brian Porter died in August.

Over the past few years, the *FM* has been critical about the company's relatively poor earnings growth. Apart from those who are directly remunerated by the group, investment in the share has offered unexciting returns.

This should not detract from the contribution Brian Porter made to the motor industry, in Cape Town and nationwide. Though

Continued →

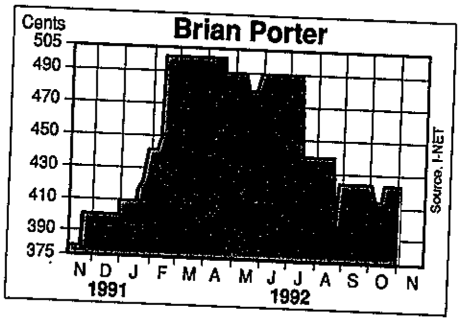
(30)

he had critics, he was admired for building his business from a one-man show into a company that now employs 1 340.

For the past year Adrian Porter, his younger brother, has been MD. He could hardly have taken over in a worse economic period for the motor industry. New car sales reached 301 000 in 1981 but are likely to be only about 181 000 in 1992. Profitable sales depend on rising margins.

Porter's margin, however, continued to decline due to the intensely competitive market and interest payments — up 26% on the previous year after a 36% increase in debt at year-end — hammering operating income, which rose by 2,5%. Though turnover grew 11%, group sales of new units fell 17,6% and sales of used cars dropped 4,2%.

Stocks rose R6,2m or 14,6% in value, reflecting a 24% climb in prices of new cars; stock volumes declined. Consequently, holding costs contributed to the higher interest bill. New chairman Brian Robinson points out the company has a solid base of conservatively valued freehold properties. No doubt consideration has been given to using these assets to create the liquidity that would eliminate much of the debt. A solution to this problem should be sought.



Prospects for the motor industry in 1993 appear no more buoyant than in 1992. Unlike his brother, who was product-driven, Adrian Porter believes in consumerism. The difference in attitude could see an improvement in Porter's bottom line. Until that materialises, the share is not attractive.

Gerald Hirshon

ABSA TAKING ACTION?

FM 13/11/92

Absa appears to be acting on ~~its exposure~~ to furniture retailer Rusfurn and, possibly, JD Group. A carefully worded cautionary announcement by Rusfurn this week indicated the board had learnt that negotiations were taking place, which could affect the ordinary shares ~~and~~ convertible debentures.

(30)

Rusfurn, which this year posted a R156m attributable loss, has Absa as its principal shareholder, a legacy of Bankorp's 42% shareholding in the furniture group. JD Group is a subsidiary of W&A, which has Absa as its principal banker. Rusfurn executive chairman Laurie Korsten declined to comment, as "very sensitive negotiations" are taking place.

Shaun Harris

HI-SCORE/SCORE-CLICKS

Delisting plan

FM 13/11/92

(30)

Premier's plan to acquire ~~minorities'~~ shares in Hi-Score and Score-Clicks will give it total control of these two companies and effectively lift Premier's holding in Clicks to 47,4% (37,4%), Metro Cash & Carry to 69,6% (66,6%) and Score Supermarkets to 72,4% (69,4%).

Hi-Score minorities will receive 21 Premier ordinary shares — worth R882 — for every 100 shares held (worth R880). Score-Clicks minorities will be offered 12 Premier ords for every 100 shares (a R9 premium).

Premier states that if the scheme had been in effect in the year to end-March 1992, underlying earnings of Hi-Score and Score-Clicks would have risen 2,5% and 7,2% respectively; NAVs would have increased 1,2% and 2%.

Though the premiums may seem modest, several issues should be considered. Prices of Hi-Score and Score-Clicks have risen some

Continue

FOX FM 13/11/92 (30)

17% and 6,5% respectively since early October, so the market may have got wind of the deal before the announcement.

Also, an assessment should perhaps be made in terms of dividend income rather than simply the share price. Premier's dividend growth record is good and there is potential for further growth. (Shareholders in the companies to be delisted would participate in interim dividends for the six months to end-October.) Premier is a blue-chip company with tradeable shares. *Marylou Greig*

Urgent call for fraud task force

(30)

CT 14/11/92

By MAGGIE ROWLEY
Deputy Business Editor

THE Cape Town Chamber of Commerce has called for the urgent appointment of a specialist task force with wide powers to ensure that all cases of fraud and corruption are brought to trial without delay.

President, Mr Herbert Hirsch, said yesterday the chamber was appalled by the erosion of respect for the rule of law in South Africa and the depths to which standards of government administration and business morality had plummeted.

The continuous stream of disclosures on government maladministration was seriously undermining business morality, he said.

Unless the degeneration of government and business ethics was halted, general disrespect for the rule of law could be expected to proliferate, resulting in widespread anarchy.

He said strong and urgent measures were necessary to send a clear signal to all in government administration and business that further transgressions would not be tolerated.

"To achieve this the government must be prevailed upon to act in conjunction with all the other major political parties in South Africa in the appointment of a specialist task force with wide powers to ensure that all cases of fraud and corruption uncovered in the course of investigations by commissions of inquiry and others, are brought to trial without delay."

Special teams of investigators would have to be appointed for this purpose and special courts set up to try the cases.

"My chamber has urged the South African Chamber of Commerce (Sacob) to take this issue up with the state president and other political leaders as a matter of utmost urgency.

"Our concern is that unless dramatic and effective action is taken to expedite the legal process in this way, confidence in the ability of the rule of law to protect the legitimate rights and interests of citizens will be seriously undermined," he said.

Cautious consumers worry retailers

(30)

Sowetan 14/11-16/11/92

RETAILERS are worried that Christmas sales might be weak and unable to provide the usual end-of-year boost, if the year's sluggish consumer spending continues.

The weakness of consumer spending was dramatically illustrated last week when retail giant OK Bazaars reported that its earnings had dropped by 72,2 percent to R2,5 million in the six months to the end of September.

Earlier, the Human Sciences Research Council reported that its latest consumer confidence index had fallen to its lowest level over the last year.

But there is some hope. OK also reported that sales had improved slightly in October while the HSRC said its consumer confidence survey had been conducted shortly after the Boipatong massacre "which clearly sent consumer optimism into a tail-spin".

In addition, the Cape Town Chamber of Commerce reported that retailers expect a "moderate" increase in November/December sales.

According to a survey of chamber members, sales are expected to rise between 15 and 19 percent in the footwear, clothing and toy sectors. Sales increases of about 10 percent are expected in the stationery, beverage, jewellery, sports, audio equipment and furniture sectors. Given rapidly rising food prices, it is not surprising that the value of food sales is expected to rise by a massive 25 percent.

Street talking

Edwina Booysen and Lucas Mati sound out opinions

SOUTH 14/11- 18/11/92 30

What do Capetonians say about the Victoria Wharf shopping mall?

Ms Ghaironesa Ismail of Woodstock:

"The cost of living is too high for most people to visit the Waterfront.

"I don't know how they could have built such a place at this time. I have never been there — not because I don't want to go but because I can't afford to."

Mr Richard Mngxunyeni of Khayelitsha:

"Some white employers at the Waterfront practised racism against blacks. A white employer told me he did not hire people from the townships.

"On a board outside the building was a notice indicating that no workers from Khayelitsha, Langa, Netreg or Mitchells Plain would be employed.

"When I asked the manager why this was the case, he told me that transport could not be provided for workers from these areas — yet people from Hout Bay were employed."

Ms Shanaaz Gaibie of Salt River, who has been unemployed for the past two years:

"Only whites can afford to visit the Waterfront.

"I don't know why they opened it when ordinary people cannot afford to go there."

Mrs Ruth Wojatschek of Vredehoek:

"The Waterfront is not racist at all.

"My husband and I like it. It is a place for everyone."

Mr Themba Bell of Guguletu:

"I have never seen blacks and whites sitting together in a bar at the Waterfront, drinking in a social atmosphere. I am too scared to go and drink among the whites. We don't know what may happen."

Ms Melanie Whitman a student at the Cape Technical College:

"The Waterfront is not racist.

"I like to go there and have never encountered any racism."

Mr Cecil Britton who worked for Portnet for 16 years before retiring:

"There is no apartheid at the Waterfront. Money speaks there. Anyone who has the money can go to the Waterfront and even open a shop there if they want."

Your passport to shopping pleasure

South 14/11 - 18/11/92

30

By Justin Pearce

SHE WAS wearing a floral pantsuit, he was wearing a trendy blonde haircut and a shirt open to the solar plexus. Their arms round each other, their free hands holding shopping bags, he bent down and she raised her face for a long kiss as they walked, sated, towards the carpark.

Any moment they would light up cigarettes and the scene would transform into an ad for Courtleigh Satin Leaf.

The new Victoria Wharf shopping mall is the sort of place where you go to pretend you're in a cigarette ad. Whether your preference is for the yuppie-ish Satin Leaf, the fun-filled world of Peter Stuyvesant, or the Olde English kitsch of Rothmans, it's all there for you.

"Yuppie" is the cliché that springs to mind. But the customers aren't. Last weekend the middle-middle-class turned out in force.

They gazed with interest at the expensive little boutiques but it's unlikely they bought anything there. Victoria Wharf also has plenty of the chainstores that spread like acne to every new commercial development. It's just that here they come gift-wrapped.

CNA has gold lettering on the shopfront. The male checkout staff at Pick 'n Pay wear ties that look as if they could have been bought at any of the expensive little boutiques out in the mall. Some of them also wear badges saying "I am a part-time casual".

This branch is called a "Pick 'n Pay Pantry". Heaven forbid that anyone should mistake it for a supermarket. Yet most of the items on the shelves are exactly what you'd find at your local branch, and, give them credit, no more expensive. All that distinguishes the merchandise from lesser Pick 'n Pays are the microwave-and-eat dishes, the ready-to-eat salads, deserts and baroque yoghurts: "Champagne Rhubarb" must take the prize for the most outrageous flavour.

Then there's Nando's, the takeaway whose other branches are done out in garish red and green plastic. Here it's all bare wood and ceramic tiles with scenes of 15th century Portuguese navigators. On the menu is a message from the proprietors: "Centuries ago it was our Portuguese ancestors who discovered these shores ..."

Internationalism is packaged behind the glitter: Greek, French, Italian. There is even a halaal takeaway with salomies and samoosas — the first time the Waterfront has seen anything genuinely Capetonian.

The anticipated clientele is similarly multinational. The information booth has the word "information" in English, Afrikaans, Xhosa, German, French, Spanish and Portuguese. The Xhosa version is spelt wrongly.

I put on a thick foreign accent and asked the information lady: "Do you speak Cherman?" She did. I regretted being too pale to be an authentic Xhosa speaker, as I would have liked to test them on that one. Given the spelling error, I wouldn't hold much hope.

Nor were there any Xhosa-looking people in the vicinity whom I could ask to help. While it's not true that the Waterfront is a whites-only space, its present clientele seems to consist entirely of those who may vote in the tricameral parliament.

Most of the glamour and exhorbitant prices are to be found in the row of restaurants facing the quayside. To the left is the old embarkation point for Robben Island prisoners. On Friday night, men in tuxedos and women in cocktail dresses were queueing up next to the razor wire to embark on a cruise. The real people hung around munching pizza slices or ice creams and watching the tugs or the trapeze artists.

That's what Victoria Wharf is all about: your chance to mix with the rich and the beautiful while you do your routine Pick 'n Pay shopping or take the kids out for a weekend treat. Like a cigarette ad, it lets you fantasise about the lifestyle you never had, before the beautiful people shimmy back to the Victoria and Alfred Hotel, and you drive the kids back to Athlone or Plumstead.

Call for anti-corruption task force

LINDA ENSOR (30)

CAPE TOWN — The Cape Town Chamber of Commerce has called for the appointment of a specialist task force to bring to trial all cases of fraud and corruption uncovered by recent commissions of inquiry.

Special investigators and courts would have to be appointed.

Chamber president Herbert Hirsch said at the weekend that the chamber had urged Sacob to take up the issue with President F W de Klerk.

"Our concern is that unless dramatic and effective action is taken to expedite the legal process in this way, confidence in the ability of the rule of law to protect the legitimate rights and interests of citizens will be seriously undermined," Hirsch said.

He said the chamber was appalled at the depths to which business morality had plummeted.

"The continuous stream of disclosures relating to government maladministration is seriously undermining business morality," Hirsch said.

Cost-cuts, turnover hike aid Morkels turnaround

B/DAY 16/11/92. 30

LINDA ENSOR

CAPE TOWN — Asset management and cost-cutting enabled furniture and sports goods retailer Morkels to generate a 21% increase in taxed profit on a mere 5,3% increase in turnover in the six months to end-September.

The result represented a turnaround from the loss recorded in the first quarter but because the recovery was still at an early stage, Morkels did not resume payment of an interim dividend.

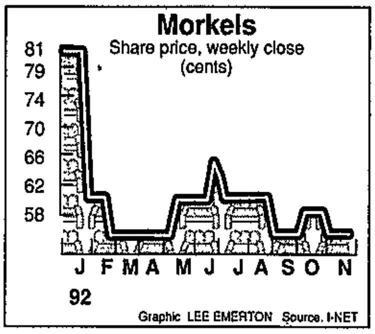
Earnings a share rose 18% to 1,3c (1,1c) on turnover of R143,3m (R136,2m) and an after-tax profit of R554 000 (R458 000). Margins were strengthened to 6,7% (5,8%) and the relative rise in finance charges was constrained, so that pre-tax income increased. This was reduced by the resumption of tax payments.

MD Carl Jansen said Morkels was still on target to achieve the forecast 42% rise in after-tax profit to R6m (R4,2m) in the year to end-March. It would reap the benefits from the cost control strategies which had already seen key ratios improve.

However, the forecasts assumed there would be no further deterioration in political conditions or escalation of violence.

Jansen said the strategies implemented to counter the recession were gaining momentum. This was already apparent in the October figures which showed a good profit growth. The same was expected for November and December. However, Christmas spending was expected to be slow and late in starting.

Early indications were that, faced with rising unemployment and unacceptable price inflation in basic necessities, the consumer had been forced to curtail drastically purchases of Morkels' products.



In the past six months Morkels had not chased turnover, concentrating instead on improving the operating margin and reducing borrowings. Gearing at end-September was down to 138% from 165% at the March year-end.

Merchandise profitability was maximised, stock levels controlled, overhead costs were curtailed and asset growth limited.

Despite the pressure on costs the group, which employs 1 500 people in about 135 stores, did not retrench.

In a cost-cutting move which will save R2,2m over the next five years, Morkels is to relocate its Foreshore head office to the fringe of the Cape Town CBD in February.

Cash had been conserved and credit managed carefully so that bad debt levels were down on last year.

However, there had been a buildup in arrears as leeway was given to customers experiencing difficulties with payments and it had taken longer to collect debts.

Jansen said the objective of Morkels' survival strategy in the difficult economic times was to emerge from the recession with its business and human resources intact.

'Surprise' at boycott call

CT 17/11/92

HEIDELBERG. — Two local companies accused of intransigence in settling labour disputes yesterday expressed surprise at the launch of a three-month consumer boycott of white-owned businesses in the Vaal Triangle town.

The companies, Eskort Bacon and R and R Tobacco Manufacturers, were singled out by the Ratanda Civic Association which called for the boycott. — Sapa

30

Boycott is launched

(30) Sowetan 17/11/92

■ White-owned businesses targeted after attempts to resolve labour disputes fail:

A THREE-MONTH consumer boycott of white-owned businesses began in Heidelberg yesterday after attempts to resolve labour disputes at some businesses in the town failed.

African National Congress PWV region spokesman Mr Ronnie Mamoepa said the boycott was decided on at a meeting of political, labour and civic organisations in Rathanda, the black township outside Heidelberg on November 8.

The township has been tense for some months due to clashes between African National Congress and Inkatha Freedom Party supporters, allegedly entrenched at the Ratanda Hostel.

Several people have already lost their lives in attacks, resulting in a curfew being imposed by security forces.

Activists in Rathanda claimed some businesses in the town had made no attempts to resolve labour disputes at their premises, and instead gave preference to workers from the hostel.

Mamoepa said the boycott, which would be reviewed in three months time, was supported by the Congress of South African Trade Unions, and other bodies. - *Sapa*

VAT provides a boost to 1992 used car sales

(30)

EDWARD WEST

VAT has boosted used car registrations, but not enough to beat the recession and lift 1992's retail trade sales above 1991's 285 024 units.

Motor Industries Federation president Errol Richardson forecast 280 000 sales by dealers this year. He said although VAT and the introduction of a longer instalment payment period had helped, used car sales by dealers in 1992 would be much the same as 1991.

Central Statistical Service (CSS) figures showed used car registrations six months after the introduction of VAT in September 1991 averaged 46 374 a month. This was 27,4% higher than the monthly average of 36 398 for the six months prior to VAT.

The average monthly ratio of used to new cars sold climbed to 3,07:1 in the six months after VAT, from 2,15:1 in the six months prior to VAT.

However, Richardson said the CSS's vehicle registration figures were contaminated by the great number of vehicles moving from one dealership to another. B/Day. 18/11/92

Naamsa spokesmen pointed out that about 50% of used vehicle registrations consisted of those sold privately. Used vehicles sold through dealers attract VAT (on the value added portion) equivalent to about 1,8% of the selling price. VAT on new vehicles is 10%. Used vehicles sold privately do not attract VAT.

Econometrix forecasts that trading revenue for the motor industry will climb a marginal 6,1% to R37,74bn in 1992, compared with R35,57bn in 1991. Trading revenue in 1993 is forecast at R45,35bn.

Retailers under attack

BDAY 18/11/92

DUMA GQUBULE

EXCESSIVE price mark-ups by retailers and not heavy import duties are the main reason for the high cost of clothing and textiles, says Textile Federation executive director Brian Brink.

In the latest issue of Textile Topics, Brink said retailers, desperate to shift blame for soaring prices, were engaged in a disinformation campaign to convince the public that SA clothing and textile industries were highly protected. Similarly retail food chains blamed everyone in the supply line for increases.

Real rates of import duties ranged from 14% on yarn imports and 15% on fabrics to 15%-16% on clothing, yet retailers' mark-ups for textiles were 100%-200%.

PROPERTY

Sea Point hard-hit by Waterfront popularity

(30) ANDREW KRUMM

THE Victoria and Alfred waterfront development may have been good for the tourist trade in Cape Town, but its success appears to have been bought at the expense of Sea Point, where trading is on the decline.

However, at least one form of commercial activity — property development — remains successful, although many elderly residents complain of escalating rentals as prices rise.

BDAM 18/11/92

Seapoint councillors John Sonnenberg and Joe Rabinowitz say the *joie de vivre* previously associated with Seapoint has moved to the Waterfront, and local traders, especially those involved in entertaintment, are feeling the pinch.

Rabinowitz says "no one will risk money to set up new businesses there", and Sonnenberg says business in the suburb is becoming seasonal.

But property developers do not seem too perturbed about the slowdown in trading activity and continue to apply for rezonings and the unbundling of stands.

The most recent example is Sanlam's planned development of sectional title apartments, one of which recently sold for R4m to a Cape Town buyer.

Sanlam plans a hotel complex on adjoining land but first needs approval of the city council, which is "trying to be accommodating".

Town planner Neville Riley says the council is attempting to unbundle Sanlam-owned parcels of land on and around the site, and tie them together notarially to allow the hotel development to take place.

He adds, however, that there is some resistance from the community to rezonings, and residents are increasingly taking matters to court.

Another city official says that apart from a "succession of court cases" he expects resistance from residents on the refurbishment of a block of flats on the Clifton beachfront.

Rabinowitz says another problem with the Sea Point area is lack of parking, which led to the demise of Regent's Road.

"Some hold out that a planned Woolworths development on the corner of Regents and Kloof roads is the great hope for the area, since it would come with two levels of parking. But I do not think so."

Councillor Chris Joubert, who owns a shop in Sea Point and is active in the local traders' association, was not available for comment.

BUSINESS Allegation that money was not used for black entrepreneurs in Soweto

the diary

Your update on what's happening in the business world from Joshua Raboroko

A SEMINAR to draw business plans and teach small businesses to control cash flow problems will be held at the Bloemfontein Training Centre on November 24. For more information contact Rumi Lebusho at (051) 35-1905.

●The Nafto affiliated South African Long Distance Taxi Association will hold its year-end meeting at the Downtown Holiday Inn on November 25.

●The Black Management Forum will hold its annual conference on Afrocentric versus Eurocentric management styles at the University of the Western Cape on November 20, followed by its annual general meeting on November 21 at 9am. For further information contact Sue Brewitt at (011) 783-8926 or Lot Ndlovu at 834-4262/5.

●The Minister of Finance, Mr Derek Keys, will open the 29th annual conference of the South African Foreign Trade Organisation on Monday.

●The Soweto Chamber of Commerce and Industries is to hold its annual general meeting at the Jabulani Standard Bank Hall, Soweto, on November 25 at 11.30am.

●Finals of the South African Housing Trust Builder of the Year Competition will be held at 291 Surrey Avenue, Ferndale, Randburg, today at 6pm.

●A conference which will explore the entire fraud situation in South Africa will be held at the Reserve Bank Auditorium, Pretoria, on November 26. Advocate Klaus von Lieres will address the seminar.

Loan of R2,5-m misused - claim

Sowetan 19/11/92

■ PROJECTS STUMBLE

By Joshua Raboroko (30)

A ROW has erupted in the Greater Soweto Chamber of Commerce and Industries (GSCCI) over a R2,5 million loan which it is claimed has been misused.

The money was given to the chamber's financial wing, Soweto Investment Trust Company (Sitco), by First National Bank (FNB) for the development of black businesses.

It is claimed that the money has not been used for the development of black entrepreneurs in Soweto.

The GSCCI's treasurer, Mr Sam Noge, said that that about R1 million was used by the trust to buy shares in the international company Pepsi Cola when it decided to reinvest in South Africa.

Noge, who is also a member of the trust, said part of the remaining money was used to buy shares in the Shareworld complex near Nasrec in Johannesburg.

"However, both projects foundered, resulting in their liquidation," Noge said

He alleged that board members have been travelling overseas, incurring heavy expenses without the chamber's consent.

Sitco's managing director, Mr Macdonald Temane, yesterday explained that the money was still in the trust's coffers and a grant would be made to any entrepreneur who applied for help.

It was unfortunate that the Pepsi deal failed to bear fruit while "we got our shares back when Shareworld went under", Temane said.

Regarding overseas trips, he said that it was important to exchange views with other business people outside the country. He denied all allegations that the money was being misused.

FNB's Mr Stan Macdonald said that the trust controlled funds made available by the bank.

Bank gave cash for business development in Soweto:

New appointment

SOWETAN Thursday November 19 1992

'as not used for black entrepreneurs in Soweto

Loan of R2,5-m misused - claim

Sowetan 19/11/92

30

By Joshua Raboroko

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MORKELS FM 20/11/92

Market unconvinced

30

Efforts to maximise merchandise profitability, cut costs and limit asset growth have started to reap benefits for this furniture and sports goods chain. But can the gain in operating profit be more than a one-off result?

Interim figures show a 21% increase in attributable profit to R554 000, on marginal turnover growth of 5%. The 22% rise in operating profit strengthened margins to 6,7% (5,8%); EPS rose 18% to 1,3c.

Financial director Terry Simon believes Morkels is still on target for the 42% rise in after-tax profits forecast for the year to March, to R6m (R4,2m). But a closer look suggests it may be hard to extend this trend.

Morkels is aimed essentially at the middle-income group, which is feeling the pinch particularly hard.

Though gearing has fallen to 138% from a March peak of 165%, interest-bearing debt — particularly short-term debt — is 17% higher than a year ago. The annual report said management had decided to fund working capital with borrowings rather than raise additional equity while the shares were at a substantial discount to NAV. This could prove costly should the economy remain sluggish.

Provision for doubtful debtors remains 10% and is not considered a pressing problem. The debtors' book will stay ceded to major banks as security until gearing falls below 100%. The group continues to pursue a financing structure, which, says Simon, is more complex than the concept of joint finance companies now common in the industry.

Morkels stores remain the main profit contributor but Simon believes the rapid expansion of Totalsports and restructuring of Ajay will bring appreciable benefits.

Capex growth in the next couple of years will be slower — the group has achieved its aim of positioning itself for economic recovery. Management's efforts to gain market

*Continue →

FOX FM 20/11/92 30

share at the expense of margins appear to have succeeded; clearly, the focus now will be shifted to improving the bottom line.

Nevertheless, the furniture industry is consumer-driven. While recent measures may place the group for a recovery, meaningful earnings growth will have to wait until it happens. A static share price of 55c suggests investors need more convincing.

Marylou Greig

Barnetts poised to make most of an upturn

B/0071 20/11/92

Business Day Reporter (30)

TIGHT operational and financial control should provide Barnetts with a solid base to take advantage of any upturn in the economy, chairman Myron Lewkowski said in the company's annual report.

The current financial year would be demanding, but the company was in the process of upgrading and improving the computer systems which should improve stock and debtors' management, he said.

"The full benefit of the newly opened stores will flow through in the current financial year while the strategic opening of stores will continue."

Results were "more than satisfactory" in a year in which trading conditions were extremely difficult and consumer spending came under renewed pressure, he said.

BUSINESS

Entrepreneurs find allies for the formal sector

(30) MEREDITH JENSEN

AN INCREASING number of black entrepreneurs are entering the formal business sector, and various organisations are helping facilitate the transition. BIDRM 20/11/92

One such group, the International Executive Service Corps, has had success in helping these businessmen without incurring tremendous capital expenses.

A non-profit company, funded by US Aid and a number of SA companies, it has recruited retired businessmen to assist non-white businesses.

For a one-time fee of R15, those who qualify receive free advice from experts in fields ranging from accounting to marketing and promotion.

Executive director Ken van de Laar says costing appears to be one of the major problems faced by black businesses. "This is where we can help by providing information on how to prepare a business plan and structure a cash flow analysis."

Van de Laar says his company helps people evaluate their needs realistically.

In 1988 Sam Tungande set up Baltic Travel, the country's first black travel agency. From the beginning, Van de Laar's company helped Tungande keep accurate accounts of his business, and plan for the future.

The training and services have often saved businesses. Tungande says he could never have afforded the services the company provided for free.

"The problem is collateral. It is nearly impossible for a black to secure a business loan without it, and very few blacks have it.".

In addition to the Services Corps, British Airways has offered to train members of Afritour, an association of black travel agents and tour operators Tungande helped establish.

The first sessions, completed this month, were designed to teach people about the travel industry. The airline plans to continue the course next year in order to help its participants become members of the International Association of Travel Agents.

Bar the Indians — angry black traders

(30) AFG 21/11/92

VUYO BAVUMA
Weekend Argus Reporter

ANGRY Khayelitsha businessmen are calling for the removal of Indian traders from the township, claiming the Indians are undercutting them.

And the chairman of the Khayelitsha Business Association (Khaba), Mr Victor Mbauli, said his members want the Indians out by November 30, or they will take "harsh action".

But the Indians have rejected the call as "racist and backward", claiming the Africans want them to go so they can charge exorbitant prices. Some said they would resist the move. If they left, Khayelitsha would be "empty just like we found it before".

Shoppers said they go to the Indian-owned shops because prices were lower.

Many of the African businessmen claim they have been forced to close down because the Indian traders were "stealing our old customers".

They said it was "unfair" that Indian traders, who they claimed belonged to a more privileged group, should compete against Africans — the "most oppressed group" — in their own areas.

They said they could not operate in the "Indian areas" because they did not have the capital to set up businesses there.

The traders caught up in the row are operating at Thembani shopping complex where they began arriving about 18 months ago.

Matters came to head when the African businessmen approached Khaba for assistance in their battle to keep their businesses alive.

A heated meeting followed, where the African businessmen decided that the Indians be told to leave the township by November 30.

Mr Mncedi Joko, who closed his business last year, said African businessmen were unable to compete on an equal footing with Indian businessmen partly because of decades of oppression, and partly because Africans could not get backing finance as easily as Indians.

"We have been arrested for pass laws and not allowed to own property in the Western Cape.

"We now are trying to lift ourselves, but the Indian traders are trampling us down by opening their businesses in the township."

Mr Tembekile Sigwela, a general dealer who has been operating in Site C since 1985, said his monthly turnover of R30 000 had shrunk to less than R10 000 because his customers flocked to the Indian businesses.

"Ever since the Indian traders came to this township, our businesses have suffered enormously.

"They are stealing our clientele. We don't know who gave the traders permission to operate in our areas when we are unable to open up businesses in their areas.

Ms Xoliswa Fungile of Nobuzwe shop in Site C said her business was doing well until the Indian businessmen came to the township.

"To save our businesses, these traders should leave the township. We also want to develop our businesses just like other groups.

Khaba chairman Mr Victor Mbauli said the association sympathised with their members' plight and fully supported their decision.

■ Turn to page 3

Angry traders

■ From page 1

(30) 21/11/92 AFG

"It's clear that the traders have the resources to set up any business in the townships as they please. They did not even consult us.

"If we are to talk about the new South Africa, we should first help the African traders who have been discriminated for so long to be able to operate their businesses, for example, in town."

Mr Mbauli said the removal of the discriminatory laws shouldn't mean that the groups who had comfortable positions could just walk into the townships — and compete with small businesses.

Indian shop-owner Mr Abdullah Parker, who has been operating in the area for four months, said he would die rather than leave.

"If they chase us out what about the people we are employing? The reason they want us is because they want to overcharge the people.

"The people are buying from us because they are tired of being exploited. These traders can't tell us what to do. The political organisations should decide our fate."

The managing director of Gold Star, Mr Salim Chenia, who has a R2-million investment in the area, said the decision was regrettable because the people had accepted his businesses.

"We employ 17 people and constantly give out to the people something in return.

"The people don't have to travel by taxis or buses to buy their groceries in Claremont or in the city. They can do all of that on their doorsteps and they are enjoying it.

"Let's put away our prejudices and ills and work in harmony. The traders are feeling the pinch because of the downtrend in the economy and now they are blaming us."

Yesterday shoppers told Weekend Argus that they bought their groceries at the centre because it was "cheap" and the shops were within "walking distance".

Recession tips for small businesses

South 21/11 - 25/11/92

30

SMALL business operators have to be extra careful and super-alert if they are to survive in these tough times.

At a recent meeting of the Cape Town Chamber of Commerce's Small Business Forum, a panel of experts gave sound advice to small businesses. Some examples of the questions and answers included:

Question: How can I survive the recession?

Answers:

- Do not deviate from what you are good at. Stick to what you do and do it well.
- Identify your mission and the steps you are going to take to achieve it. Never lose sight of your target.
- Improve your efficiency.
- Collect your debts faster and beware of extending credit to unreliable people.
- Take stock of your income and expenditure often. Have systems in place where simple records can be checked weekly to give you an idea of where you stand.
- Beware of spending money on "nice to have" improvements or equipment, and concentrate on "need to have" goods.
- Split your business between large and small customers so that if a big customer withdraws, you are not left high and dry.
- Do not take too much money out of your business for personal use.

Question: In a recession, should I go on advertising my business?

Answers:

- Yes. You must continue making customers aware of your product, but advertise as cost-effectively as possible. Make sure your adverts are reaching your target market.
- Any business should have a marketing plan, goals and objectives.

Question: Should I cut my prices to stay in business?

Answers:

- Rather than cutting your prices, try to distinguish your product from that of your competitor to justify the price difference.
- Allow for a margin of flexibility and try to introduce a "win-win" situation.

For example, you could agree to give a five percent discount if the customer pays within 30 days, or if he places an order for two months instead of one.

Question: How can I save on labour costs?

Answers:

- Scale down your staff if necessary and make sure than salaries and wages are in keeping with the jobs being done.
- Consider employing people on short-term contracts. This will save the cost of retrenchment packages. But be sure that the letter of appointment is drawn up properly.

There is a distinction between employing someone on probation, which is regarded as permanent employment, and employing someone on a three-month contract.

Consumer group to extend services

30

By FRED ROFFEY

CAPE Consumers, one of the largest buy-aid organisations in South Africa, is to extend its range of services and products next year.

Discounts are currently negotiated on foodstuffs, wine, clothing, travel and motor equipment.

Early next year discussions start with suppliers for discounts on furnishings, white goods, videos and hi-fi's.

The discounts are paid back to members at year-end in the form of bonuses based on a percentage of the amount they have spent during the year.

S/Times (Cape metro)

Record

This year Cape Consumers is to pay out nearly R14 million in bonuses, 13,9 percent higher than last year. 22/11/92

The record turnover of more than R277 million was spent by about 25 000 members with more than 2 000 suppliers of goods and services.

Cape Consumers guarantees payment to suppliers and so enforces tight credit control and monitors overspending by members.

General manager Piet Hugo said bad debts had been restricted to 0,5 percent of turnover, on par with last year.

"Next year we are budgeting for a turnover of about R310-million," he said.

ARG 23/11/92

(30)

Trade 'time-bomb' in Mitchell's Plain

CLIVE SAWYER
Municipal Reporter

PROTECTION rackets and intimidation by informal traders have struck fear into formal businesses at Mitchell's Plain town centre, a tenant says.

In the past two weeks, in two incidents, informal traders smashed shop windows when tenants complained about them trading too close to shop entrances.

A tenant, who declined to be identified for fear of intimidation, said tenants who complained were threatened with violence by informal traders.

"Now the centre is bursting at the seams and traders leave filth at the end of the day. It is a hygienic time-bomb," the tenant said.

"The centre is becoming unsafe, because the skollies are trying to take over, charging tenants and hawkers protection money."

Meetings had been held with the police, city council and traffic department.

"We have been told nothing can be done and everyone blames the other," the tenant said.

There was frustration among traders, who paid rates and service charges, because they believed they were subsidising hawkers.

Administrator Kobus Meiring and MECs were due to meet the city council executive committee today for quarterly talks, with proposals to devolve control of informal trading to the city council high on the agenda.

Meanwhile, the Cape Peninsula Informal Traders Association is to meet 13 taxi associations for talks tomorrow night on ways to resolve looming conflict over the station deck.

Utilities and works committee chairman Mr Kenny Penkin said the city council was pushing ahead with moves to shift the Strand Street minibus taxi rank to the station deck.

PWV has plans to send trade missions abroad

BIDAM 24/11/92.

GERALD REILLY

PRETORIA — A concentrated foreign trade promotion programme to meet the needs of small and medium-sized businesses in the PWV area was announced last night by Johannesburg Chamber of Commerce and Industry (JCCI) president Stuart Morris.

Speaking at the chamber's half-yearly general meeting, Morris said the programme involved visits by chamber missions to the UK, France, Pacific Rim and sub-Saharan Africa countries in the first half of next year, with more foreign missions likely later in the year.

Eight missions had so far been planned for 1993. They were aimed at strengthening existing ties with traditional partners, establishing ties with new partners and creating new trade links in the sub-Saharan trading bloc.

The first mission, in February and March, would visit Singapore, Bangkok and Hong Kong, with optional extensions to China and Macau.

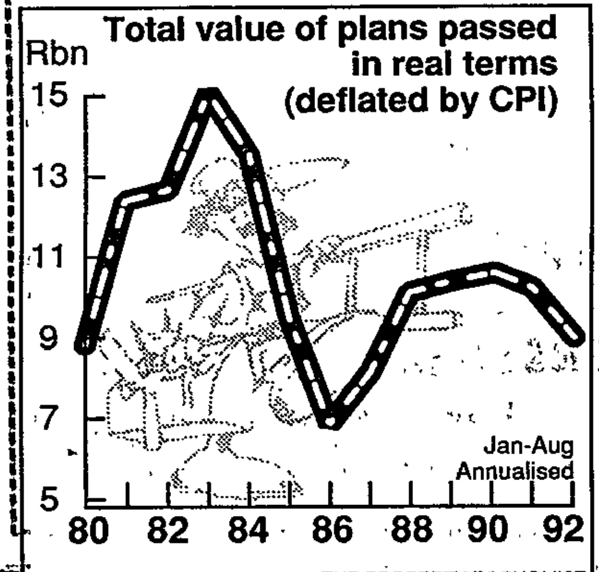
April-May visits had been organised to France and Britain.

The mission to France would attend a major investment and trade seminar in Paris. The mission to Britain would concentrate on regional economic areas like the Midlands and Scotland.

Morris said a third vital programme objective would be to focus on African trade. Six missions would visit African countries selected for their trade potential.

Oversupply of office space forces cut in new projects

BDay 24/11/92



Graphic: LEE EMERTON Source: THE PROPERTY ECONOMIST

THE oversupply of office space, combined with a shortage of new tenants and static-to-diminishing demand for space has resulted in developers cutting back on undertaking new projects.

Latest Central Statistical Services (CSS) figures show that the total value of building plans passed during the first eight months of 1992 fell by 5,3% to R7,65bn compared with R8,07bn in the comparable period last year.

The largest drop was in non-residential building plans, which plunged 22,9% to R1,84bn from R2,39bn previously, with plans for residential houses also easing 7,1% to R2,39bn from R2,57bn.

However, a 40% increase in the value of plans passed is reported for flats and townhouses to R892,7m as people continue to seek the security offered by such complexes.

(30)

Secure

"As the level of crime continues to escalate, people are looking at moving from large, freestanding homes to smaller, more secure townhouse complexes or flats, and this trend can be expected to continue for some time," property economist Neville Berkowitz says.

A 3,1% rise in the value of plans for additions and alterations to R2,39bn was also reported.

On a regional basis, Cape Town reflected a R258m fall in the value of plans passed, while those for the Witwatersrand also eased, to R230m.

"In Cape Town, decreases of R121m for residential homes and R81m for office buildings were recorded, while the Witwatersrand saw a R188m drop in plans passed for homes and R95m for shops," the CSS says in its report.

However, the total value of buildings completed in the first eight months of the year rose by 20% to R5,26bn from R4,38bn in the same period last year.

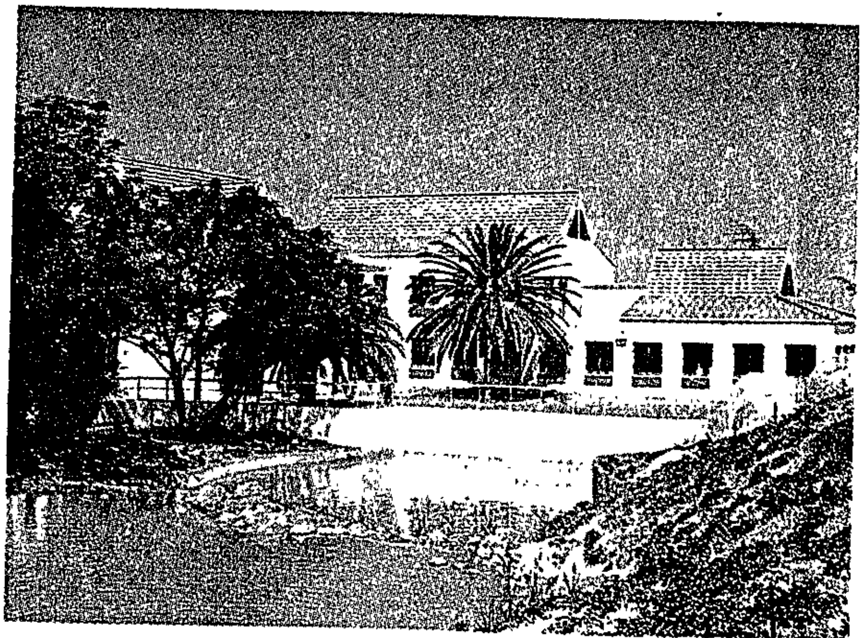
The value of flats and townhouses completed rose 33,1% to R457,2m, while non-residential buildings increased by 29,2% to R1,55bn from R1,20bn.

Additions and alterations also firmed 14,5% to R1,36bn.

Coi

Business Day SURVEY

The failure of the local economy to show any signs of a recovery and the likelihood of a continued world recession holds little short-term hope for the commercial and industrial property industry. Economists have revised their forecasts of a market improvement to early 1994, although this depends on political and economic developments. **PETER GALLI** *reports.*



The R40m Lincoln Wood office park development at Woodmead is 60% let because of market demand for this type of low-rise decentralised office accommodation.

Moves towards decentralised office parks continues

B|DAY 24|11|92 (40) (30) (88)

THE move towards decentralised office parks continues as tenants escape traffic congestion and lack of security in CBD areas.

In addition, many executives are locating their businesses closer to their homes and, given the network of black taxi routes, staff are finding this more acceptable.

While opinion differs as to what constitutes a true office park development, general sentiment is that it should be low-rise and contain a large amount of open space.

Despite the high level of vacancies in the Woodmead area, north of Johannesburg — standing at about 35% or 30 000m² of empty space — the AECI pension fund will spend about R450m on its Woodlands office park development.

Signed

The 43ha development is expected to take between five and seven years to complete. Deloitte & Touche have signed a 15-year lease for 16 700m² in five office blocks.

"We have examined seriously the impact of the development on the environment and have set aside about 22ha of open space outside the building envelopes," says AECI property manager Pat Sterling.

The project was taken over in March 1991. There is an existing 9 500m² office block available at a net rental of R25/m².

"A total of 128 000m² of bulk is planned and we will not move on to the next phase until the existing phase is well let. We have been marketing the development fairly hard over the past few months and recently signed Perry & Associates for 700m² for five years," he says.

However, the fierce competition in the market is seeing existing landlords offering tenants deals "they cannot refuse".

An office layout designer has also been employed, at AECI's expense, to draw up plans and show prospective clients how to utilise the space in the most effective way.

Security

Access and security are key aspects to any tenant's decision to rent and an electric fence surrounds the estate, which is monitored 24 hours a day.

The design is sensitive to the environment and buildings are low-rise, as the maximum height is three storeys. However, the design specifications are not rigid and prospective tenants can submit different architecture plans, but these must fit in with the guidelines for the scheme.

The site has a number of ponds and water features, and a herd of buck are to be introduced shortly.

RMS Syfrets has also gone the office park route at Woodmead, building a R40m 10 900m² development known as Lincoln Wood, which has been sold to the Unilever Pension Fund.

The buildings vary in size from 1 300m² to 2 400m² and net rentals of R25/m² are being achieved with operating costs of between R3/m² and R4/m². Parking is provided at four bays per 100m².

Battered market — no end yet to the agony

BIPAM 24/11/92 30

THE battering experienced by the commercial and industrial property market over the past 12 months is likely to continue for at least another year, leading economists, analysts and market sources say.

The failure of the local economy to show any signs of a recovery, combined with the prospect of little growth next year and the likelihood of a continued world recession, holds little short-term hope for the industry. Property economists have revised their original forecasts of a market improvement in late 1993 to early 1994 at the soonest, but say this is dependent on political and economic developments.

As a result, demand for space is expected to remain depressed, rental levels will be placed under further pressure and the construction and building industries will see the noose tighten even further in the coming year.

In some cases, firms are tendering at a level that merely covers fixed overheads and allows them to retain staff. Others are tendering at below cost merely to gain work so some staff can be retained ahead of the upturn.

Economists have expressed concern as to how long the industry can continue to do this. The smaller building and construction firms have been the hardest hit and indications are that up to 300 of them will go to the wall by year-end.

Decreases

But the effects of protracted recession are also felt by larger companies. As the level of available work decreases and an increased number of firms vie for the same contracts, future order-books have started to look less healthy.

But, on a more positive note, the fact that construction can be achieved at advantageous prices is stimulating some demand, while tenants are capitalising on the cut-throat nature of the rental market.

The latest buzzword in the property market at the moment is "niche markets" or areas of growth. While many companies are loathe to reveal their secrets, demand does still exist in certain quarters.

Well-located neighbourhood shopping centres are considered a growth area, while smaller, low-rise office park developments that retain each tenant's identity remain popular.

An increased number of new developments that were started in more buoyant times are coming on stream and have exacerbated an already oversupplied market.

Increased vacancies and a static number of tenants shopping around for the best possible deal have placed landlords and brokers under pressure. Incentives are being offered by nearly all major players to lure prospective tenants into their buildings. These include generous relocation and fitting allowances and substantial rent-free periods.

Tenants, who are aware that 1994 is probably the last chance for them to secure a long lease at a favourable rate, are playing one landlord off against another. In some cases, landlords are taking over the tenant's existing lease and signing him up in a building of their own under a long lease.

As a result, rentals have generally shown no growth at all and are at levels achieved two or more years ago. However, the predicted upturn in 1994 will see this tenants' market become a landlords' market.

Viable

Once the supply/demand curve begins to equalise and the glut of surplus space is reduced, new buildings will become a viable option for developers and large-scale construction will resume. This increased demand will result in a massive increase in building costs and a huge jump in rentals.

The inflow of foreign investment so desperately needed to stimulate the economy has not materialised, and political uncertainty and violence will continue to prevent foreign investment. In addition, much prospective investment is dependent on an interim government.

'Pay attention to good property management'

PROPERTY owners should pay attention to good housekeeping and property management, even if this means rescheduling rental structures downwards, SA Institute of Valuers member Graham Ewing says.

"Owners who find their commercial and industrial properties heading for a negative equity situation in today's declining market may do well to look to the professional property valuer for a strategy to deal with this difficult problem." (30)

The economy is forcing some values into negative equity and holding owners hostage to their investments. Most are having to accept market driven rentals. Offices in the Johannesburg CBD are finding themselves the hardest hit by the recession, exacerbated by continued decentralisation.

A new valuation technique — the top slice method — is coming into its own as a method of valuing properties in a falling market. It provides an estimate of the current market rent and market yield applicable to the property, which is then subtracted from the current rent to identify the "slice" of rental income considered to be over-rented or above market.

"A valuation using this method may help the owner in renegotiating mortgage and bank loans," Ewing says. BDAY 24/11/92

Economists predict another tough year ahead

B/DAY 24/11/92 (30)

ECONOMISTS predict that the next 12 months will be another difficult period for the property industry and players will have to continue to bite the bullet.

"However, there is light at the end of the tunnel as indications are the market will start to turn in 1994. The property market follows the economy and will thus be dependent on positive developments there," property economist Neville Berkowitz says.

He predicts the present general oversupply of office space will continue next year and an improvement is likely only in 1994. Rode Report editor Erwin Rode agrees, saying it was noticeable this year that demand for office space "screeched to a halt".

"The future of the Johannesburg office market lies in the decentralised areas. The CBD is no longer the place to be and there has been a negative take-up of space in the area in all categories over the past several years," he says.

In Cape Town and Durban the CBD is still regarded as the place to be and there has been less decentralisation. However, Durban's CBD is fairly overbuilt and Cape Town is also starting to reflect this.

On the retail front, Berkowitz says spending will remain under pressure as salary increases are unlikely and economic growth prospects for next year are also not good.

"The industrial market is waiting for an industry-led improvement, but given the uncertainty about world economic recoveries and the recent battering of the gold price, it is unlikely there will be an improvement in exports," he says.

Rode says the industrial market has, however, held up better than the office market as there has been relatively little speculative development.

Heavy industrial areas in the East Rand are suffering more than industrial locations in the northern suburbs. Rentals have been drifting sideways.

"The Cape Town market is performing better than the other markets as it has a far smaller industrial element, but the clothing and textile industries have been under considerable pressure," he says.

If the incentives on offer are taken into consideration, rentals have probably fallen in both nominal and real terms, he adds.

Berkowitz says rentals are likely to stay at present levels in the next year. "There are no real growth prospects, except in certain locations like Rosebank for offices, Strydom Park for industrial and Sandton and Eastgate for retail."

On the investment front, there is a major shortage of stock available, but, while the quantity of stock has decreased, in many cases the quality has improved.

The man-in-the-street is looking at forming investment syndications as the JSE is largely overbought, interest rates are dropping and good properties with annual escalations give a good return.

Rode's SA property trends

Summary of forecasts

[illegible]	[illegible]	[illegible]	[illegible]
[illegible]			
[illegible]	2%	0%	5%
Durban & env	3%	2%	5%
Cape Peninsula	5%	6%	8%

[illegible]	1991	1992	1993
[illegible]			
[illegible]	0%	-7%	0%
Sandton	7%	-7%	5%
Pretoria	2%	0%	-5%
Durban	0%	3%	0%
Cape Town	4%	0%	-5%

Rezoning promotes shopping activity

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B/DAY

24/11/92

SINCE the Roodepoort City Council identified and rezoned the Honeydew business node in 1991, the shopping area has been vastly increased and the SA Printing Industries Federation is constructing a R40m college.

Rationale for the rezoning included the trend to business deregulation, while the privatisation of Spoornet and Transnet no longer compels the entrepreneur to locate next to railway routes, says Ivan Cassidy of Rand Estates.

The SA Black Taxi Association now affords commuters an inexpensive transport system independent of existing rail links.

Confined

Natural barriers for the area ensure activities are well confined and many of those building premises live close to the decentralised industrial areas of Honeydew (Laser Park), Randburg (Strydom Park and Kya Sands) and Midrand. Honeydew has been established for about 50 years, originally as a rural community, and a vibrant shopping area has grown over the past 25 years.

There are schools and urbanisaton is overtaking the once upmarket rural community.

Proclaimed and serviced idustrial land is now available adjacent to the Printers' College.

Aerial and access roads have been upgradd. Many major institutions are generally bullish about the need for industrial development and are taking a keen interest in the area. A R10m joint development between Rand Estates and M P W Construction — known as Laser Park — has come on stream.

Kearney replaces OK's Borcherds

MARCIA KLEIN (30)

OK BAZAARS financial director Brian Borcherds had left the group, OK confirmed yesterday. B|DAY 24|11|92

Market sources said they believed he had taken up a post at Wooltru subsidiary Massmart, the holding company of wholesaler Makro.

Borcherds, who joined OK in 1987, was appointed to its board in financial 1988. OK former group corporate planning director Geoff Kearney has filled his position.

Borcherds was previously tipped as a possible successor to CE Gordon Hood, who was expected to announce his retirement soon.

Sources said yesterday holding company SA Breweries would become more actively involved in the OK. They said SAB was not considering formally splitting the OK Stores and Hyperamas, leaving Hyperama as the listed vehicle.

Companies offer reduced rates to stay in business

(30) BDAY 24/11/92

COMMERCIAL and industrial property markets face an increasingly bleak future as prospects of an export-led economic recovery fade, says Pangbourne Properties chairman John Whiting.

"So far we have had little evidence that the recession is about to bottom out. On the contrary, most indicators — including a lack of foreign investment and a growing number of bankruptcies — point to another year of negative economic growth," he says.

Static

In the face of rising vacancies factors, rentals in the non-residential sector are, at best, static. As part of its rationalisation programme, Panprop is moving out of CBDs and consolidating its portfolio in the PWV area.

Metboard's Mike Kightley says that, for the first time in recent years, property developers have had to stop projects and only about 40% of possible projects considered by companies reach fruition.

The past year was particularly tough both for property developers and those who traditionally use institutions to finance their property projects.

Market competition has been extremely fierce in three main areas. There are far more developers looking for a limited number of sites with good potential, and construction companies are tendering at cutthroat rates. Many are merely attempting to cover fixed overheads and retain staff, while financial institutions are becoming more competitive about lending funds, Kightley says.

Wise developers with good, well-located sites are signing up tenants before they start the development. Present market conditions are forcing professional teams to make work for themselves and become creative.

Headlease

"A number of developers will take in equity partners — including tenants — and the headlease scenario has also become more popular," he says.

Investec Property Group (IPG) MD Sam Hackner says political volatility and the weak economic scenario has prompted institutions to take early Christmas holidays.

"The last few months have seen a softening in commercial and industrial property markets as players wait for political developments to guide their movements into the new year," he says.

Not only is demand for office space falling off, but a number of new developments are reaching the end of their development phase and are being offered to the market.

Many large new office blocks are standing empty.

As a result, rentals in certain areas are being forced down. In addition, many of the larger organisations are offering rent-free periods and a variety of other incentives, while others refuse to drop rentals and prefer to hold empty space.

"There could be an upswing in the market next year off the prevailing soft market. In essence it is crystal ball gazing but, assuming some sort of political settlement next year, we are looking at a much rosier picture," he says.

Continue

Russell Marriott & Boyd Trust (RMBT) director Stan Arenson disagrees, saying the downward pressure on the market is likely to continue next year, particularly in oversupplied areas like Woodmead and Braamfontein.

"Tenants can find space in any area and are demanding all sorts of incentives, which is placing deals under tremendous pressure as landlords either accept this or carry vacant space," Arenson says.

Denor House in Durban is an example of an outmoded building upgraded and refurbished to create A-grade space. Only two of the 15 floors remain unlet.

Forecasting will help developers in Durban

B/DAY 24/11/92

DEVELOPERS should invest in forecasting to break the boom and bust cycle of development in the Durban office market, commentators say.

Accurate forecasting will help developers predict an upturn more readily, instead of adding to the oversupply in recessionary times, they add.

The latest SA Property Owners' Association survey has Durban at the top of the list of CBD office vacancies, with more than 30% of its A-grade office space unlet.

Sheila Williams of Durban-based William Palmer Associates says that while demand for commercial space has been fairly static this year, it is showing "encouraging signs" of business confidence for 1993.

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Spread

"Although the building boom of 1989/91 led to an oversupply of office space, a large proportion of this space was spread over various buildings and opportunities exist for tenants to take advantage of favourable rentals and relocate to these new buildings," she says.

Present office rentals are running at between R24/m2 and R35/m2 gross for newly completed premises, while compounded escalation rates of 12% a year are commonplace, she says.

Metboard property broker Marc Carroll says that while the "novelty of decentralisation has worn off", the market is oversupplied. Vacancies have remained static in the area and rentals are expected to remain under pressure next year.

Investment

Indian entrepreneurs are buying investment properties that have a "break up and sell value", like office-blocks or flats with retail facilities. These buyers are also forming syndications.

The Durban City Council's commitment to upgrading the city centre visually and practically has encouraged landlords to redevelop and upgrade their office space, Williams says.

"This positive phenomenon has improved the confidence of tenants and led to a reduction in the flight of professions to the suburbs," she adds.

The council's management committee has given the go-ahead for the development of a convention centre at the old prison site, which can only lead to enhanced confidence in the city, she says.

Tenants benefit as rental levels take a tumble

BDAY 24/11/92. (30)

OFFICE and industrial tenants are the only people benefiting from the present economic downturn, as rental levels have fallen in both real and nominal terms in many areas.

The commercial property market has seen absolutely no rental growth in all areas during the past year, says Mortimer Property Group MD Paul Maddison.

Bleak

"Except for the possible exception of Rosebank, where good deals are still being done at rentals of up to R33/m2, we are seeing rentals remain at the same levels they were two years ago," he says.

The outlook remains bleak for the next year as there are no fundamentals of emerging demand to stimulate rental growth. Some landlords are also keeping space empty rather than outlay relocation and alteration allowances demanded by tenants.

However, when the upturn does come rentals will "go through the roof" as the supply/demand curve evens out and landlords and developers move to recoup their losses, he says.

Anglo American Property Services chairman Gerald Leissner agrees, saying rentals in the commercial market have fallen in both nominal and real terms.

"Good tenants whose five-year leases are maturing are renegotiating their rental levels and these are invariably lower than what they were paying before the lease expired," he says.

Once demand increases and the glut of space is taken up, rental levels will move upwards.

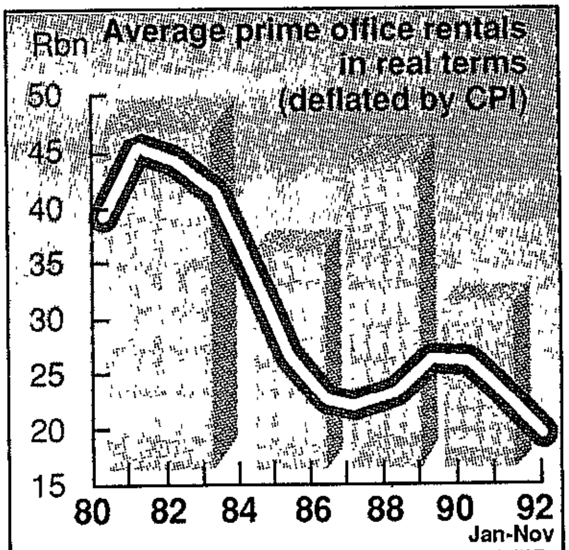
Ampros recently announced it was offering new tenants 30% off their net rent, in certain buildings, for the first 30 months of a five-year lease signed before December 30.

However, the discount excludes operating costs and rates, which can account for as much as 40% of the rental, while lease escalations are believed to be higher than the industry average.

Pressure

Another market player says: "You get nothing for nothing and the tenant will ultimately pay for the discounted rental. This campaign has put the market under tremendous pressure to match this offer unilaterally, which is not possible for space in all buildings."

Ampros has vacancies of 12% in its commercial portfolio and 3% on the retail side, but continues to invest money in the upgrading and refurbishment of its portfolio.



Graphic: LEE EMERTON Source: THE PROPERTY ECONOMIST

The perception of many prospective tenants is that Braamfontein is not a decentralised area and has poor parking ratios and escalating crime, like the CBD, Maddison says.

Ampros' Braamfontein Centre and Liberty Life's Jorissen Place will increase A-grade space in the area by 44 000m². Vacancies at present stand at 17%, which must be of concern for landlords, he adds.

However, Leissner says there is considerable interest in space, and negotiations are underway for some of this.

The vacancy for A-grade space in Parktown has remained fairly constant at about 9,9% or 22 479m², but about 21 300m2 will be coming on stream and push the vacancy factor up to 17,7% unless a few major deals are concluded, Maddison says.

"There is a definite trend towards shorter leases and some tenants are renewing their leases for between four months and a year although the industry average is about three years," he says.

News in brief

Focus on black unity, peace

A FOUR-DAY national congress of the Azanian People's Organisation begins at the Great Centenary Hall in New Brighton, Port Elizabeth, tomorrow and is to focus on black unity and peace.

The main speaker will be Mr Ibbo Mandaza of Zimbabwe, editor-in-chief of the *Southern Africa Political and Economic Monthly*. Azapo president Mr Pandelani Nefolovhodwe will give a "state of the nation" address under the congress theme *Black Unity, Peace, Power and Liberation.*

Topics to be discussed include President FW de Klerk's "reforms", the role of women in the struggle for liberation, a solidarity front and international involvement. Sowetan 25/11/92

About 2 000 delegates from all Azapo's branches countrywide are expected to attend and speakers from other political organisations have been invited.

Mayoral election goes on

THE Diepmeadow Council will hold its mayoral elections tomorrow despite the threat by the Transvaal Provincial Administration to suspend it because of its shabby financial affairs. Sowetan 25/11/92

According to the Black Local Authorities Act, the mayor and the deputy mayor have to be elected every year, while councillors' terms of office last for five years. Current mayor Mr J Matala was elected amid controversy and division within the council last year. The elections will be held at the mayor's residence, known as the chief's house.

Cops escort heart doctor

A CAPE Town doctor arrived in Durban yesterday to transport a heart donated from a "fairly young" patient at St Augustine's Hospital.

A St Augustine's Hospital spokeswoman said the heart was to be removed by a team of heart specialists and taken to Cape Town. Police would escort the doctor to ensure no time was wasted once the heart was removed.

Special Cabinet post urged

THE Cabinet has been urged by the National Industrial Chamber to introduce the special post of Minister of Small Firms to spearhead a drive to launch thousands more black entrepreneurs into mini-businesses of their own. Sowetan 25/11/92

The creation of the new portfolio, with Cabinet status, should be made a priority in setting out future industrial strategies, argues the NIC in a policy document it has submitted to the National Economic Forum. 30

The NIC, the industrial arm of the National African Federated Chambers of Commerce, also proposes the appointment at senior civil service level of a Commissioner of Small Firms to remove unnecessary red tape acting as an obstacle to mini-business operations.

Mandela talks to leaders

ANC president Mr Nelson Mandela is to hold talks with Botswana President Quett Masire tomorrow and Mozambican President Joachim Chissano the next day. Sowetan 25/11/92

Spokesman Mr Carl Niehaus said yesterday the talks would focus on Southern African issues. The visit follows on the ANC's crucial national executive committee meeting in Durban and ahead of Mandela's forthcoming summit with State President FW de Klerk next week. - *Sowetan Reporters and Sapa.*

PETER GALLI

Plan gears Sandton for the 21st century

8/DN4 25/11/92.

30

THE structure plan developed by Sandton's town council in 1989 is having a positive effect on new development in the area, says Mortimer Property Group MD Paul Maddison.

As more than 500 000m² of office space was expected to be developed in the Sandton area during the next 13 years, an overall policy on office development was needed, he said.

Uncontrolled growth of offices in the Sandton area had created problems such as traffic congestion, noise, intrusion of residential areas and environmental deterioration.

As a result, Sandton town council initiated the structure plan — released in April 1989 — which stressed that allowing office development to continue on an ad hoc basis would be suicidal.

The council decided it would be possible to restrict offices to new nodes, minimising the effect on residential areas while accommodating growth.

A "dual strategy form" was created to address areas of growth in residential, retail and schools, while a study was done on expected future trends.

Expected future development in Sandton

Use (m²)	1988	1995	2005
Retail	227 000	236 500	265 500
Offices	775 000	1 300 000	1 800 000
Industry	468 000	570 000	629 000
Commercial	457 000	545 000	700 000

Graphic LEE EMERTON Source: MORTIMER PROPERTY GROUP

The structure plan identified options for growth nodes in the area.

Four were established — Sunninghill, Fourways, Eskom/Woodlands and Rivonia.

As a result, office policy recommendations were formulated for Sandton.

According to the recommendations, no further office growth should be permitted on the periphery of Sandton's CBD except in localities identified as interface areas, on a scale that did not generate significant traffic volumes.

The Sunninghill node, bounded by the N1 freeway in the south, should be promoted as a node for high density office development with a floor area ratio in the range of 0,6 to 1,0, it said.

The area, which could theoretically accommodate only between 300 000m² and 350 000m² of office space, lacked infrastructure.

The council should concentrate on developing this.

Maddison said a detailed development plan for the area should be prepared.

Development of the Woodlands site had set an example for the area, and was an indication of the success of the plan.

The plan recommended that an area around Woodlands be used for low-density office park development at a bulk in the range of 0,2 to 0,6.

"The area is suitable only for low-density use because the existing rights granted in Woodmead and Megawatt Park are of such magnitude that difficulties at the Bothasfontein interchange would, in all likelihood, be experienced even with the upgrading of the facility if higher density uses were permitted," Maddison said.

The council would support rezoning applications in the four nodes and refuse them elsewhere, ensuring that development was concentrated in identified areas.

BUSINESS BISCN will expand its involvement in black business through franchising

The lowdown on franchising

30

Sowetan 26/11/92

By Mzimkulu Malunga

■ FRANCHISING A quick way for blacks to join mainstream economy:

A CONFERENCE ON FRANCHISING will be held at the Carlton Hotel on December 8 and December 9.

The objective of the gathering is to encourage black entrepreneurs to get involved in franchising and joint ventures.

"Franchise business has a proven format and it is easier to manage compared to a new and untested enterprise," said Leyland Hazelwood, chief executive of the Black Integrated Commercial Support Network in South Africa.

BICSN is jointly organising the conference with the Washington based International Franchise Association.

According to Hazelwood, his company was commissioned by the United States Agency for International Development (Usaid) to develop strategies for the advancement of black entrepreneurship in the country.

Over ten US franchise companies and around 200 local and international entrepreneurs are expected to attend the conference. Registration fee is R990.

In addition to international and local speakers delivering papers on a variety of topics on the dynamics of franchising, there will also be workshops on wide range systems for franchise ventures.

'Franchise business has a proven format and it is easier to manage compared to a new and untested enterprise'

The workshops will entail advising participants on methods of developing a franchise operation, the legalities involved, partnerships as well as managing such a business.

Due to its proven record of success, financial institutions were less conservative in financing franchise ventures.

"Franchising has been called the single most successful marketing concept ever and in the US alone a new franchise business opens every 17 minutes.

"We believe it is poised to take off in South Africa in the 1990s," said Hazelwood.

Franchise business was prioritised mainly because it was seen as the fastest and easiest way for a black business break into the mainstream of the South African economy.

A BICSN study on how the corporate world arrived at purchasing and contracting decisions as well as on problems encountered by black business in selling to the formal sector was under completion.

"This will allow us to develop a targeted strategy for expanding markets for black business both locally and abroad," he said.

The second phase of the BICSN involvement in South Africa would be the establishment of an equity capital fund.

Retailers face R300 m loss from shrinkage

STAR 26/11/92

Consumer Reporter (30)

Retailers could lose R300 million this Christmas because of shoplifting and pilfering by staff members and customers, the managing director of a company specialising in shrinkage warned yesterday.

Lodge Services managing director Errol Ashman said shrinkage costs would be 1,6 percent of the retail sales during the festive season. With Christmas retail sales estimated at R19 billion this year, losses could run into millions of rands, he said.

However, Ashman said shoplifting was not on the increase at this time of the year.

He explained that retailers dealt with more people during the festive season than at any time of the year. This contributed to increased volumes and therefore more shoplifters, he said.

Shrinkage — including shoplifting, theft of company property, bad stock control and collusion between customers and employees whereby cashiers rung up lower prices — was built into company costs, Ashman said.

According to the company's newsletter, Loss Control Review, a survey that was done from November last year has shown a 100 percent increase in pilferage of cash.

This was as a result of cashiers not ringing up the correct prices, or ringing up lower amounts.

Shrinkage as a result of cashier error varied from 20 percent for permanent staff to 70 percent for casuals.

Ashman said shrinkage in the Transvaal was much higher than in the western Cape, Natal and Port Elizabeth.

Letting agent RMS is forced to cut deals

(30) PETER GALLI

HIGH vacancies had seen RMS Property Holdings attempt to let any space falling vacant as soon as possible, resulting in it compromising on rentals received, chairman Peter Gerard said. BDM

In the RMS annual report released yesterday, Gerard said many vacancies had occurred as a result of poor economic conditions and tenants going insolvent or consolidating operations. 26/11/92

RMS had not been able to recover operating costsin some cases. It had also been unable to relet certain premises.

"We have a vacancy rate of 10,48%, but expect to reduce this over the next few months," Gerard said. This would allow for an increase in income not only from present escalations, but from income derived by reducing the budgeted vacancy level.

In the year to end-September, turnover dropped to R30,41m from R32,07m, while net income fell to R239 000 from R266 000. The share was untraded yesterday at its November 19 low of 400c, but reflected a seller at this level.

Milstan falls deep into red

Bday 27/11/92.

DUMA GQUBULE

MILSTAN Holdings plunged deeper into the red with an attributable loss of nearly R2m in the half year to end-August after increased competition put pressure on margins. 30

The directors said the company, catering for the photographic and consumer electronics market, had restated its results for the previous two years after discovery of unrecorded liabilities and the overvaluation of stock during the period.

This restatement reduced 1991 earnings a share to 0,3c from 8,9c and increased the previously reported loss for 1992 from 0,22c to 5c. The said the expense and delay in restating the interim results would have been out of proportion to their value to shareholders.

Turnover declined slightly to R67,8m, with an operating loss of R1,3m.

Interest payments absorbed R642 000 and tax R39 000. The attributable loss was equivalent to a loss of 7,2c a share.

CAPE TOWN OFFICE RENTALS

FM 27/11/92. (30)

Looking for a correction

Cape Town office rentals have decreased on average by about 40% in real terms over the past three years, according to property manager and broker Dunlop Heywood.

In its latest survey of office space in the city, the company says a sustained upturn depends mainly on political stability and an improvement in the economy.

Rents in Cape Town would virtually have to double simply to close the gap between current levels and the latest consumer price index. Though this seems unlikely, it is possible.

The survey points out that between 1980 and 1982, some rents increased from R5/m² to R15/m². Between 1987 and 1989, there was also a steep rise from R14/m² to R26,50/m² in some areas. Historical corrections over long periods show that rental values throughout the world increase with inflation, which makes property an effective hedge against it.

Cape Town CBD vacancies are now around 12%, which represents about 50 000 m² of A-grade space — almost two years' take-up based on historical data. In Claremont, Cape Town's secondary CBD, vacancies have declined from about 20% a year ago to 10% due to some major lettings.

In Bellville, traditionally the best let area in greater Cape Town, vacancies have increased from 4% to about 7%, which represents about 14 000 m² of A-grade space.

However, in spite of the vacancies and depressed rentals, Dunlop Heywood analysts believe Cape Town's office market is healthier than generally perceived.

But they agree that a substantial take-up in vacant space is necessary before rents can show any significant upward movement. Rents are expected to remain at current levels until at least the middle of next year. ■

FM 27/11/92 (30)

TYGER VALLEY CENTRE

Walls of plenty

A labour of love is how Monex Development Co MD Martin Wragge describes the new R90m extension to the Tyger Valley Shopping Centre in the western Cape. It was officially opened this week.

Though Wragge and his backers — Metropolitan Life and the Eskom and Mobil pension funds — may have taken a risk by adding 113 shops to the original 165, plus six cinemas (making 10 in all), they have crossed the first hurdle. Tenants have been found — including a new Dion — for all but eight line shops. Wragge is confident that shoppers will do the rest.

More than 600 000 A, B and top-end of C shoppers visit Tyger Valley each month — 80% from within an 8 km radius. Wragge hopes this will swell to 1m a month as a result of the extensions. He believes Tyger is now the largest centre in the Cape and the fourth biggest in SA.

"The addition from start to finish took 13 months to conceive, design and build and is probably the most intricate interplay of elements ever compressed into any retail environment created in SA," he claims. The focal point is an entertainment, food and banking court over four levels round a 30 m diameter well under a 34 m-high roof light.

Wragge has taken the US retail adage, that shopping should be an entertaining experience, to a new extreme. He says: "I see a shopping centre as a theatre with the shops as the actors there to entertain shoppers as the audience."

The "actors" should then be ably assisted by the theatre — the shopping centre extension — which has been styled after turn-of-the-century New Orleans, with a 13 m-high Mississippi paddle steamer dominating one end and a 7 m by 5 m video wall the other.

Wragge is enthusiastic: "At the lowest level, most of the major banks and building societies face an 18-hole miniature golf course which includes a meandering stream on which children can ride in cockles made from wine barrels. I would have liked this adventureland dimension to have been much bigger, but these are still new concepts in SA retailing and must prove themselves."

The second level is a mixture of retail and fast food with seating suspended above the golf course from which customers will be able to watch sport, music, Ster-Kinekor trailers and other film vignettes on the video wall. The wall is "another area where we are breaking new ground in retail centres and doubtless other centres will follow us if it succeeds in spite of the R5m price ...

"The third level is a mix of retail and restaurants — all of which have a wrap-around view of the video wall. Because Tyger is on a sloping site, the first three levels to the entertainment court have direct access to ground-level parking. The fourth floor, which is effectively a mezzanine, houses tenants like the 600 m² Spur, which will also have views of the screen. In all, with the completed extensions, Tyger will boast 33 food outlets."

Shopping areas within the extension follow the formal — though updated — design of the original Tyger Valley complex. This is scheduled for refurbishment next year though it opened only seven years ago. ■

Fabcos 'still intact' (30)

THE Foundation for African Business and Consumer Services was not about to collapse, its president, Mr James Ngcoya, said yesterday.

Speaking after the organisation's consultative conference in Pretoria, Ngcoya said because of the rationalisation programme started earlier this year, Fabcos' financial situation had improved. Sowetan 27/11/92

Ngcoya attacked former Fabcos employees - who "resigned on their own accord" - for making "slanderous" statements about the organisation.

BARNETTS FM 27/11/92

Brave expansion (30)

Given the nature of its business, a circumspect investor would not expect Barnetts, a furniture group, to have had a good year. It didn't. The market knows this all too clearly, which is why the counter is trading at its 12-month low of 35c — and even that may be a generous estimate: the last trade was on October 6 and the spread is now between buyers at 32c and sellers at 45c.

Turnover improved by a substantial 22% to R63,6m, much of this coming from a determined expansion in Botswana. However, a noticeable feature of the increase in volume is that it was achieved at the expense of trading margin, which fell substantially; since trading conditions were unremittingly harsh over the year, that is not surprising.

The effective tax rate was 26,3% but it won't last. Deputy MD Bala Pillay says he expects a significant increase in the rate for 1993, and a consequence is that it will be even more difficult to raise earnings next year.

Stocks rose nearly R2m over 1991. Under normal circumstances that would raise queries; with Barnetts expansion into Botswana, however, the increase is at least explicable. Pillay says stock-turn is running at around 4 to 4,5 times. This ties in also with the increase in accounts receivable, which rose R2,4m to R38,3m. Pillay says the debtors book is carefully monitored and cash received as a percentage of outstanding debtors the preceding month is 6%-7%.

Barnetts appropriates fully for deferred tax; on the partial method adopted by many competitors, the earnings for the same period would have been 17c and NAV 208c. That compares with the year's reported results of earnings of 12,5c and net worth of 135c. Whether this makes shareholders happier is debatable: that the policy is prudent and conservative is certain, but investors pockets don't benefit in the short term.

MD Myron Lewkowski says the full advantages of the newly opened stores will flow through over financial 1993, and he confirms the "strategic opening of stores will con-

FM 27/11/92 (30)

tinue." In this environment, Lewkowski is a brave man. Of course, if he can pull off the business of opening new stores and absorbing those costs in a heavy recession, Barnetts will be laughing all the way to the bank when the recession turns.

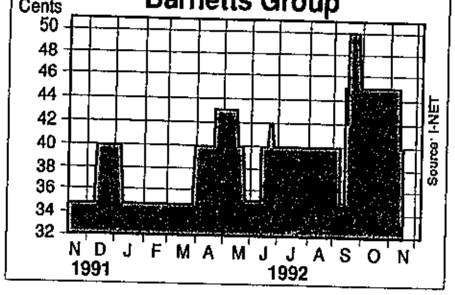
Meanwhile, the share is trading on a p:e of a modest 2,8, which is the market's way of saying this is a sector which has much, at least for the time being, about which to be modest.

David Gleason

FM 27/11/92

Activities: *Retails furniture to lower and middle income groups.*
Control: *Directors 42,8%.* (30)
Chairman and MD: *M M Lewkowski.*
Capital structure: *13,8m ords. Market capitalisation: R4,8m.*
Share market: *Price: 35c. Yields: 10% on dividend; 36% on earnings; p:e ratio, 2,8; cover, 3,6. 12-month high, 50c; low, 35c. Trading volume last quarter, 36 800 shares.*

Year to Jun 30	'89	'90	'91	'92
ST debt (Rm)	3,0	7,9	5,0	3,3
LT debt (Rm)	5,4	1,4	0,8	1,8
Debt:equity ratio	0,55	0,57	0,20	0,25
Shareholders' interest	0,36	0,38	0,41	0,40
Int & leasing cover	2,6	2,3	2,7	4,8
Return on cap (%)	10,4	10,6	10,2	8,7
Turnover (Rm)	44,5	50,0	52,7	63,6
Pre-int profit (Rm)	4,4	4,6	4,4	4,0
Pre-int margin (%)	9,9	9,1	8,3	6,3
Earnings (c)	12,1	9,9	13,9	12,6
Dividends (c)	3,75	—	2,5	3,5
Net worth (c)	117	122	128	135



BUSINESS DAY, Friday, November 27 1992

Fabcos president denies organisation is sinking

THEO RAWANA

FABCOS president James Ngcoya said yesterday all was well in his organisation and reports that the business federation and its affiliate Sabta were disintegrating were false. (30)

There have been reports of discontent and breakaways since two executive members, Sabta national adviser James Chapman and Fabcos marketing executive chairman Gaby Magomola, resigned. Ngcoya said Fabcos felt the two men's new ventures posed no threat.

Speaking after the Fabcos AGM in Pretoria, Ngcoya said: "Fabcos is stronger now than ever before, because the rationalisation that detractors branded as collapse is beginning to pay dividends. Financial statements have just been adopted by the management council.

"Against slanderous allegations that we are collapsing, we are now in a position to reopen offices we had closed, and are re-employing workers whom we had retrenched."

Fabcos CE Jabu Mabuza has been quoted as saying Chapman's teaming up with Sabta's Pretoria region Puta, to launch certain schemes for members, was "driving a wedge into the taxi industry" which could result in violence.

Ngcoya invited Chapman and Magomola to rejoin Fabcos.

27/11/92

Help for credit card buyers of mail orders

30

Star 27/11/92.

Consumer Reporter

Consumers using the convenience of credit cards to buy mail-order goods can get their money back if the goods are not delivered as promised.

This reassurance comes from the SA Direct Marketing Association (Sadma) after renewed concern about an increase in the number of television adverts urging people to "call now", with their credit card numbers, for a wide range of household goods.

However, Sadma said few customers had complained about not receiving goods after placing an order through the television advertising sales.

Sadma spokesman Gillian Williams said the few people who had complained about not receiving goods were given their money back after Sadma had intervened.

"Even if you are dissatisfied with the quality of the goods, we would make sure you got what you ordered or your money back."

Williams added that companies advertising on television were thoroughly scrutinised by M-Net and the SABC before their adverts were accepted.

Further checks were also made by the banking institutions.

Amalagamated Bank of South Africa (Absa) spokesman Gavin Webster said: "We make sure these companies are reputable and quite strong financially before we accept them as merchants.

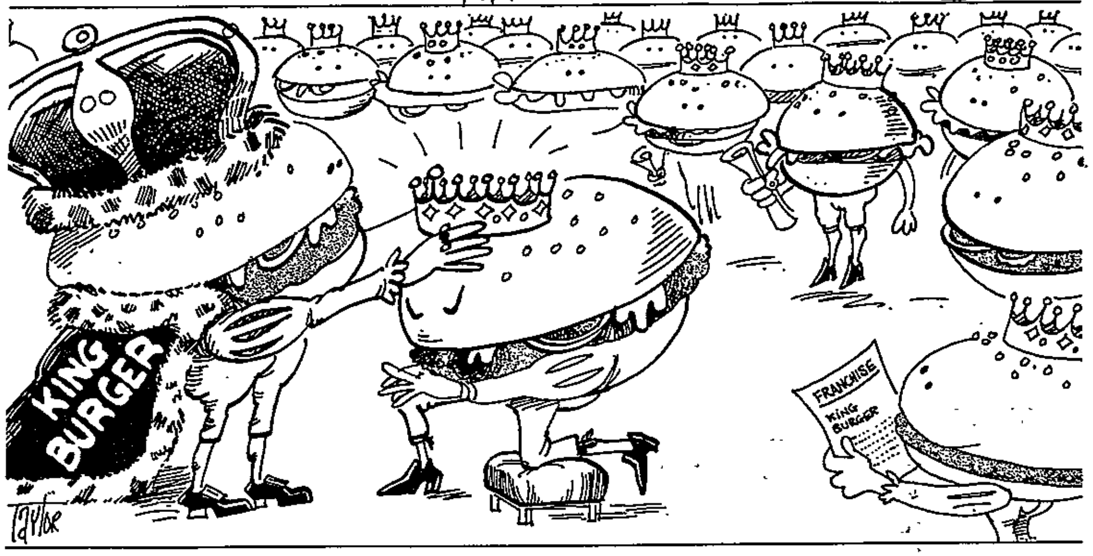
"However, we must stress that we only act as agents between the buyer and the seller.

"But if there is a dispute, we may have to do an investigation — and the seller would have to prove there was a bona fide transaction. If he cannot, then we reverse the transaction."

Franchise: licence to make a killing

STAR 28/11/92.

80



Success on tap, but only for the prudent

FRANCHISOR and franchisee stand to gain handsomely, but both need to do their homework for the arrangement to succeed. LEIGH HASSELL continues her series aimed at the smaller entrepreneur.

FROM reconditioning baths, to hairdressing, to public speaking skills, to cheeseburgers and milkshakes — the franchising opportunities open to a small business entrepreneur abound.

In going the franchise way, the entrepreneur acquires the right to sell the products of a well known brand name of, say, fried chicken, yet the business is still owned and managed by the entrepreneur.

Brand name

The advantages of such an arrangement to the franchisor, the owner of the brand name, is that he expands his operation with a minimum of extra capital outlay and manpower. The franchisor also earns a fee income (or royalty) based on the sales from the franchised operations.

The advantage to the franchisee, the user of the brand-name, is that he is offered a tried-and-tested product range, in other words a blue-print of someone else's success.

An often-quoted statistic is that more than 50 percent of new businesses close in the first five years of opening. A major reason for the high failure rate is the entrepreneur's lack of management skills in running the business, especially in the area of financial management.

A well established franchisor offers not only his brandname, but also his management expertise and support, which is why the number of failed franchise operations is significantly lower than small business ventures.

Because of this reduced risk of failure, bankers are more inclined to grant loan facilities to well-established franchised operations than "go-it-alone" ventures.

However, going the franchise way does not guarantee automatic success for the entrepreneur. Both parties should have particular qualities and because of the close working relationship the parties should "suit" each other.

The franchisee should be motivated to succeed and be prepared to fit in with the usually quite rigid procedures laid down by the franchisor, dedicated to maintaining the "sameness" of each franchised operation, as well as the quality of service.

Lifespans

This control exerted by the franchisor does limit the entrepreneur's independance in running his business.

On the other hand, the franchisor should be financially sound, have a proven success record and offer products which have long, profitable lifespans. Most importantly, the franchisor must be capable and willing to offer his management expertise to his franchisees.

Kurt Illetschko, the executive director of the South African Franchise Association (Safa), warns against fly-by-night franchisors advertised in the newspaper ads and says he has heard many tales of family savings being lost through such investments.

Safa is the self-governing body of the franchisors. It permits membership only to those franchisor organisations who prescribe to Safa's code of ethics. A yearly handbook is produced detailing aspects of a franchised operation.

On the financing side, the franchisor does not usually offer finance to the franchisee and the banks normally require 50 percent of the initial funding requirements to be met by the entrepreneur.

The initial financing requirements must be sufficient to cover the up-front fee payable to the franchisor and the setting-up costs, such as building improvements, equipment and shopfittings.

An up-front fee, usually of a fixed amount, is paid on signing the agreement. This fee covers the services rendered in respect of site selection, training and the use of the business name and know-how. Illetschko warns that a high up-front payment is a danger signal — the franchisor could collect his fee and give little service afterwards.

The amount of the up-front fee varies with the industry — for example, a burger take-away house listed in the Safa handbook quotes a fee of R12 000.

Management fee

However, while this amount seems low, the cost of equipment could be quite high.

The franchisor must pay an on-going management services fee (MSF) to the franchisor, either on a weekly or monthly basis.

The MSF is usually stated as a percentage of sales. Once again, the percentage varies with the industry — the burger take-away charged 5 percent.

Illetscheko says that in a sound franchise relationship the MSF is the main source of income for the franchisor, because, in this case, the franchisor does well only if his franchisee does well. He adds a caution that a fixed or minimum MSF is contrary to the spirit of a franchise relationship.

In addition to the MSF, the franchisee usually has to contribute on a percentage-of-sales basis, to the group's marketing fund. The burger take-away in this instance charged 2 percent.

Standing

A benefit of the franchise route is that the entrepreneur reaps far greater benefits from a national advertising campaign than he would from his less-effective, small-scale advertising.

It is imperative that an entrepreneur considering a franchise operation do his homework on the full implications of a franchise agreement. In this regard, professional advice should be sought.

It is also important that the entrepreneur should thoroughly investigate his potential franchisors. Their financial standing, history, success of other franchisees and management capabilities need to be considered.

Franchising looks set to become the way of the future. In the US, franchised operations contributed 35 percent to total retail sales. In the year 2000 this figure is expected to be 50 percent. Currently, in South Africa franchised sales comprise 6 percent of sales which leaves great scope for growth.

Foschini leaves the rest behind

STTimes (BUSS) 29/11/92. (30)

FOSCHINI must be the ultimate in organic growth by a retailer — not since 1968 has an acquisition been made and the youngest division was launched 23 years ago.

For consistency, it cannot be matched. Only once in the past 34 years has annual profit not exceeded the previous year's.

In the midst of SA's longest and deepest recession, Foschini raised net income by nearly 21% to R38,8-million in the 26 weeks to September 26. Recession? Informal sector challenges? Foschini makes the other retailers look second class.

The group has four divisions. By far the largest is Foschini, with 300 stores. American Swiss and Pages each have 150 shops and Markhams slightly more than 100.

Group managing director Clive Hirschsohn came into the group 25 years ago when Foschini bought American Swiss, the jewellery business established by the Hirschsohn family.

Mr Hirschsohn says: "We went with a view to putting American Swiss boutiques into Foschini stores, but the premises were generally too small. However, Foschini chairman Stan Lewis made an offer for American Swiss because he was looking for diversification. I was part of the package."

A year later, Foschini bought Markhams, the men's fashion retailer, and in 1969 launched Pages, the fashionable black women's clothing chain.

Since that flurry of activity more than two decades ago, all Foschini has done is grow.

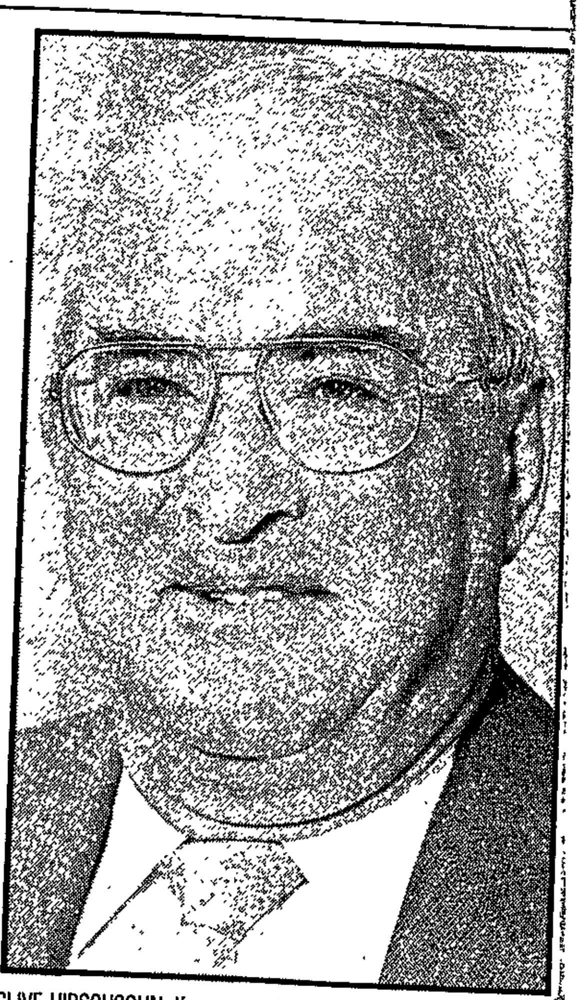
All the senior management has been nurtured from within, almost all qualify for long-service medals.

"Outsiders might think it could become moribund, but fashion retailing is like opening a business every six months," says Mr Hirschsohn.

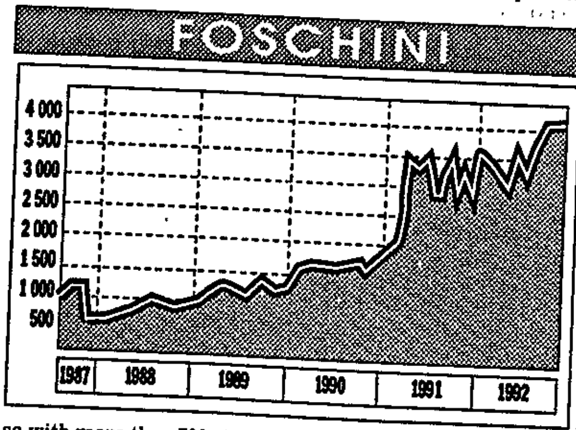
Mr Lewis acquired a major shareholding in Foschini in 1958, control coming later.

Living in England, Mr Lewis controls Oceana Development Corporation plc, which owns 35% of British fashion chain Etam, among other investments.

Foschini has a 35% stake in Oceana, which yielded R760 000 income in the six months under review. "It is a little bit of a rand hedge for us," says Mr Hirschsohn.



CLIVE HIRSCHSOHN: If someone fails, we go out of our way to hel[p]



To pay for Oceana without borrowing, Foschini issued scrip instead of cash as dividend. Members will receive one Foschini share of R40 for every 45 held. Holders of pyramid company Lefic will receive one share of R21,50 for every 48 Lefic held. Fractions and odd-lots can be cashed.

Scrip dividend has not improved the tradeability of the tightly held group. Nor is it clear whether the market has taken into account the effect of the increase in Etam's share price on Oceana and thus Foschini.

Mr Hirschsohn sounds like a good boss.

"If someone here fails, we look to see why we prevented him from succeeding. We build sound foundations with a common focus on retailing."

Almost everyone can step into someone else's job in the group. Even the new boy has been with Foschini for 11 years.

Technological investment has been primarily in merchandising. Productivity is improved, information flows, and are all reflected in the bottom line.

The group employs 5 500, so with more than 700 stores, head office is hardly overmanned. Attention is focused on information technology, finance and human resources so that the people in the shops can get on with the business of selling.

Foschini decided three years ago to centralise credit control.

"It was not that we had big bad debts, but we could never optimise the bottom line when 700 managers applied their own interpretations."

The group should be under the central credit policy by mid-1993. Foschini's book of R400-million is spread over 1,8-million accounts, giving an average exposure of less than R250 an account. Foschini funds the debtors' book itself for optimal return.

Mr Hirschsohn says the group's success lies in its appeal to Mr and Mrs South Africa, its good customer service, credit facility and value for money. Foschini remains the premier chain in platteland and rural areas where it was established.

The interims carry the barest information, but Mr Hirschsohn welcomes legislation requiring greater disclosure from April.

Foschini shares last traded on Wednesday at R40,50 in three deals totalling only 400 shares. It is little wonder there are few sellers when the returns are so good.

hini

Group Five in Moscow

STTimes (BUSS) 29/11/92. (32)

Foschini grabs market share to lift income 20%

B/DAY 30/11/92. (30)

LINDA ENSOR

CAPE TOWN — Clothing retailer Foschini increased its after-tax income by 20,7% in the six months to end-September, making strong gains in market share and defying the cutbacks in consumption expenditure which have eaten away at the profits of other retailers.

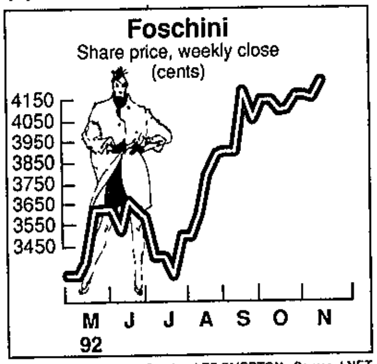
The results were produced off a high base and maintained a consistent record of earnings growth.

To conserve cash and reduce gearing, a scrip dividend valued at R40 a share — equivalent to one new ordinary share for every 45 held — has been declared.

Parent company Lewis Foschini Investment Co (Lefic), which derives all its income from Foschini, declared a scrip dividend of R21,50 a share, equal to one new share for every 48 held.

Foschini's pretax income rose 19,6% to R73,9m (pro forma R61,8m), tax increased by 18,3% and after-tax income by 20,7% to R38,8m (R32m).

All the chains in the group — Foschini, American Swiss, Markhams and Pages — performed well, financial director Roy Norman said, and had outperformed the industry's sales average.



Graphic LEE EMERTON Source I-NET

While group turnover growth had been lower than profit growth, it had been well above the inflation rate of about 14%. With fewer markdowns and a tight control of expenses, margins had improved slightly and the bottom line had also benefited from much lower interest rates.

Gearing was cut significantly to slightly more than 50%.

An amount of R760 000 (nil) was derived from Foschini's investment in Oceana, which increased its after-tax profit by 3,6%. Oceana's main subsidiary — clothing retailer Etam — was battling the deep recession in the UK economy and was more cautious about its results for this year, Norman said.

MD Clive Hirschsohn said all the chains in the group had gained from a concentrated focus on the broad middle-income market and had performed strongly in what was traditionally a relatively weak half of the year. "Although total personal disposable income has decreased, our target market shows a steady increase with the consistent entry across the board."

Norman said the bad debt position had worsened as the recession took its toll and as the group's credit control system was centralised.

Hirschsohn emphasised the important role played by the group's investment in sophisticated information systems in credit and merchandise control. Markhams and Foschini had converted to a centralised credit system which would be in full operation for the whole group by July.

A total of 17 new stores were opened during the period.

Hirschsohn expected satisfactory profit and earnings growth for the full year to end-March, especially as the second half was usually the stronger trading period. Norman added that Foschini expected a real growth in turnover at Christmas.

Due to the change in Foschini's year-end to March, pro forma figures for the previous interim period have been provided.

People worship in the malls

30

Star 30/11/92

Religious coalition claims Christmas has become a carnival of mass marketing. GEORGE CORNELL reports from Washington.

WITH the annual holiday shopping frenzy at hand, a national coalition of religious leaders complained that commercialism has reduced Christmas to "a carnival of mass marketing."

"Consumption has taken on an almost religious quality; malls have become new shrines of worship," the 25 Protestant and Roman Catholic leaders said in a letter to church organisations.

The coalition urged "all people of faith to speak out against the over-commercialisation of Christmas in our media and malls".

The leaders said sermons should direct the focus of Christmas to thoughtful giving and helping others.

"We have seen the spirit of Christmas reduced to a carnival of mass marketing.

"Regrettably, many people find it ever more difficult to separate Christmas from commerce," it said. "Good will towards all, concern for our communities and love for our families are goals that come from the heart."

The statement was co-ordinated by the Centre for the Study of Commercialism based in Washington. Signatories included several heads of Protestant denominations and Catholic bishops, as well as leaders of ecumenical and social-concerns organisations.

"Christmas ought to be a time when we let our hearts be touched by God's enormous gift of love," said the Rev Joan Brown Campbell, general secretary of the National Council of Churches.

"Only those who sit in darkness believe that love can be bought and sold.

"Making Christmas real means, in part, making giving personal, altruistic and reflective," the letter said.

"For some, this may mean giving the gift of family, baking and breaking bread with old and young alike. It means opening our hearts to family and friends, and more, to those we do not know personally but whose needs we recognise." — Sapa-AP. □

Foschini goes from strength to strength

STAR 30/11/92

By Stephen Cranston

Foschini had a strong first half, increasing net income by 20,7 percent to R38,8 million in the six months to September.

As a dividend Foschini will offer one new share for every 45 held. This is the fifth scrip dividend and is in keeping with Foschini's current financial policy.

Operating subsidiaries Foschini, American Swiss, Markhams and Pages reported strong trading in the traditionally weaker first half of the year.

MD Clive Hirschsohn says this success is due to the tight focus on the broad middle-income market.

"Although total personal disposable income has decreased, our target market shows a steady increase along with the consistent entry of new customers across the board."

A total of 17 stores were opened during the period, with Markhams opening six, including its 100th store at the Victoria Wharf, Cape Town.

Hirschsohn says sophisticated information systems in credit and merchandise control have played an important role in the group's continued profitability.

Merchandise mix

"We don't buy turnover by pushing stock into stores. We have a highly efficient merchandise mix and distribution system in place, which enables us to provide stores with a coherent, consistent and co-ordinated supply of fresh merchandise, tying in with promotions."

"This elminates the need for a warehouse, and our distribution centre simply moves stock swiftly to the stores.

"As a result, we aren't excessively burdened by interest payments on inventories."

Markhams and Foschini have converted to a centralised credit system, which should be in full operation by July next year.

Hirschsohn says the system introduced a far more sophisticated form of credit management and selection, as well as increasing dynamic marketing and merchandising opportunities.

"It also allows store management and staff to focus completely on the customer."

Hirschsohn says he is confident about Foschini's prospects for satisfactory profits and earnings growth in the year to end-March 1993, considering the stronger trading expected in the second half.

Pyramid Lewis Foschini Investment increased total earnings by 20,7 percent to R19,3 million and will offer one new share for every 48 held as a scrip dividend.

Indians defy pressure to leave

(30)

CTRG 1/12/92

EDWARD MOLOINYANE
Staff Reporter

INDIAN traders in Khayelitsha are staying put, defying pressure put on them by local businessmen to leave and ignoring accusations that they are "stealing" customers.

The 15 Indian businessmen were given an ultimatum by the Khayelitsha Business Association (Khaba) "to leave voluntarily by November 30 or face harsh action".

But it was business as usual at busy Tembani Shopping Centre yesterday, although several policemen were present.

An officer declined to say whether police were there because of threats against the Indians. He said they were on "routine duty".

Indian traders said they were not going to leave because they were a "great help" to the people of Khayelitsha.

Supermarket owner Mr H Rawood, who employs 70 people, said Khaba did not "control" Khayelitsha.

The South African National Civic Organisation controlled the township, he claimed.

"There have been assurances that the civic is opposed to the threats against us. That is why there is no reason to panic," he said.

Shoppers said they were buying from the Indians because their merchandise was cheap.

NESS

AHI 'not interested' in merger

30

STAR 1/12/92

Afrikaanse Handelsinstituut president George Huysamer has poured cold water on the idea of a merger with the South African Chamber of Business.

He said Sacob's suggestion last month that an investigation with a view to a possible amalgamation of the two business organisations was being conducted, had not occurred.

"The executive committee (of the AHI) holds the view that this is an inappropriate time for initiatives of this nature," he said.

Mr Huysamer said the different business organisations in South Africa had different roles to fulfill at this stage of the country's transition.

Sacob had suggested a merger with AHI and possibly other black business organisation like Fabcos and Nafcoc to enable organised business in the country to "speak with one voice".

Mr Huysamer said however that the AHI was willing to continue to work with other employer bodies and participate in the National Economic Forum and the Business Forum. — Sapa.

Premier should still outperform market

STAR 1/12/92

By Stephen Cranston

Earnings from the Premier Group will increase by 21,3 percent in the year to April 1993 and by a further 26,4 percent in the following year, Davis Borkum Hare analyst Manny Pohl forecasts.

Pohl says the demand for Premier's mass market food products lends assurance to long-term growth and profitability.

Earnings will be boosted by the increased contribution expected from Metro Cash 'n Carry, which has a market edge in its strategic distribution channels and dominant market share.

Premier Food is no longer encumbered by unperforming poultry and animal feeds businesses, and benefited substantially from the lower interest burden resulting from these disposals.

Over the longer term, the bread market is expected to grow at a rate approximately equal to the population growth.

At present, significant price escalation which deregulation created at the retail level, together with a depressed economy and unrest and violence has given rise to a static bread market. And because of the surplus of baking capacity there has been intense competition and pressure on margins.

Premier reversed the losses it had made in its edible oils division as sales volumes of its products, principally Blossom and Kraft margarines, increased substantially.

Consumers buy down as disposable income reduces, which has benefited Premier, and opportunities exist for the sale of basic foods into countries to the north.

Much of Premier's growth prospects in milling and baking depends on government fiscal policy.

The drought has necessitated the import of massive quantities of maize and wheat, on which the government exacts a tariff giving it a R30 to R40 a ton profit margin.

This will give the government a R150 million profit which could be passed on to consumers or primary producers.

In the longer term any future government will initially be less enthusiastic to raise floor prices or to resist price controls. Accordingly, there is a reasonable chance of lower input prices for Premier.

There is also pressure for the reintroduction of subsidies on bread and maize and for the zero rating for VAT of basic foodstuffs, which will stimulate volume growth and enhance divisional profits.

Premier's pharmaceutical interests will be stimulated by group strategy to provide cheaper products as the country becomes more cost-conscious.

State expenditure levels on health care are expected to rise significantly.

Pohl says that if Premier's wholesaling interests can return to the profit margins of the mid-1980s, in which there was a pre-tax margin of 3,5 percent, pre-tax profits will surge from R50 million to R143 million.

Since earnings and dividend growth should exceed that for the industrial companies in general it should continue to outperform the market.

Marketers 'must stay in touch with audience'

B|DM 1/12/92 (30)

GAVIN DU VENAGE

MARKETERS like to think their audience is far more sophisticated than it is, says Markinor chairman Nick Green.

Spelling out guidelines for Third World marketing, Green said that within a few years the average South African would be black, 15 years old, fairly unsophisticated and talking "a kind of English".

"On the other hand," said Green, "we marketers and advertisers will be 40-plus, more sophisticated and perhaps a little out of touch with what is happening, unless we remember a few key points."

The first of 12 elements Green laid down concerned brand value. The less sophisticated an audience, he said, the greater the value of a name.

Brands had become a language — for instance, in some markets there was no such thing as vodka — it was Smirnoff.

Then came the exploitation of aspirations. Ads showing blacks and whites mixing in up-market situations touched on something many hankered for.

As an example, Peter Stuyvesant, the best selling cigarette in the middle socio-economic groups, used exotic travel destinations in its advertising.

Green also advised:

- Use simple language, and avoid word-play. English is a common language of communication, but not everybody's mother tongue;
- Visuals and pictures can overcome nuances and language difficulties;
- Use role model endorsement. "You do not need long copy or explanations. The associations and visual elements do it all for you if you use a Brenda Fassie as a spokesman";
- Use sports sponsorships. Research has shown that sport is high on the list of SA priorities;
- Use music, which is a powerful common interest in the youthful metropolitan market. Coke's use of Mango Groove had grabbed an instant youth vote for their product;
- Appeal to the emotions. Unsophisticated markets are less analytical and more emotional, and are less likely to react to dull and boring advertising;
- "Grab the educational sponge." Advertising works well when it teaches people how to use a product, or how to behave socially;
- Beware of change. The Castle Lager label switch created a tremendous negative effect for SA Breweries, said Green;
- Consider the use of media. Television, radio and print are obvious vehicles, but new avenues, such as home videos and taxi-tapes, should be considered;
- Finally, never ignore word-of-mouth recommendation or criticism, which could affect the progress of a product or service. This was especially true in the townships where the extended family and good neighbourliness really did exist, said Green.

Companies 'secretive'

GAVIN DU VENAGE

SA's only corporate investment publication, CSI Letter, was gaining ground in the business community, editor Myra Alperson said last week. B|DM

SA companies were too secretive about their social investment programmes, and the CSI Letter had been started, in part, to create a forum of information sharing, said Alperson.

The fourth issue of this bi-monthly Innes Labour Brief publication appeared earlier this month, looking at issues such as the basics of social investment policies and some of the latest activities of various companies. 1/12/92.

Alperson worked for a research foundation in New York and co-authored a book on corporate social investment before moving to SA and the Innes Labour Brief last year.

SA companies could both learn from and contribute to the international CSI experience, Alperson said. As the country was once again on the investment map, it was important for local business to make their contributions known.

AHI rejects Sacob amalgamation plan

HILARY GUSH (30)

SUGGESTIONS that an amalgamation of the SA Chamber of Business (Sacob) and the Afrikaanse Handelsinstituut (AHI) be investigated have been rejected by the AHI executive committee. BDAY

AHI president George Huysamer said yesterday it was an inappropriate time for such an initiative. 1/12/92

"The country is confronted by serious economic issues which demand our full attention jointly and severally, and we would not be serving the best interests of our country or our members if we allow our attention to be diverted by a matter like this at this stage."

Last month Sacob suggested a merger to enable business to "speak with one voice".

Huysamer said such a merger, which excluded other organisations such as Seifsa, Nafcoc and Fabcos, would risk creating an impression of "ganging up" — which should be avoided at all costs.

While the AHI did not want to surrender its identity and role, Huysamer said: "The AHI wishes to reconfirm its willingness to co-operate with other employer organisations in promoting our common national and regional goals.

"Our co-operation in the national economic forum and the business forum are telling examples hereof. We are also in touch with the moves which are afoot to establish an overarching employer organisation representing the entire SA business sector, and we will make our inputs in this regard in due course."

Sacob deputy director-general Ron Haywood said: "We have nothing to add to the AHI statement."

New Jet campaign targets Woolworths

B/DAY 1/12/92. (30)

MARCIA KLEIN

A CONTROVERSIAL advertising campaign for Jet Stores, launched in the weekend newspapers, is likely to cause a stir in the retail and advertising industries.

While the adverts do not name names, they compare the quality of Jet's clothing with that of a competitor, apparently Woolworths.

Woolworths' director Farrell Ratner said yesterday there was no doubt the adverts were referring to Woolworths. Woolworths was investigating the content of the ads, and would be approaching the Advertising Standards Authority, he said. Comparative advertising is forbidden by the ASA code.

Jet's new campaign stressing quality — in three double page spreads — made bold statements measuring its standards against those of the competitor.

Jet marketing director Sandy Barnes said Jet, which is in the Edgars group, did comparative testing of its products on a regular basis. Previously, the quality of its clothing did not compare well with that of its competitors. But it had upgraded its products, and tests in July and August showed "some stark results".

Barnes said a comparison between Jet's clothing and the products of rival companies perceived to be of top quality made the results of the research — and the advertising — more convincing.

The adverts identified three garments — for women, men and children — and did an "ours" and "theirs" comparison on aspects of quality and price. Jet's products come out remarkably well.

Barnes said that through the campaign, Jet was committing itself to the niche market of "classic core merchandise" that had top quality and good pricing.

He said the adverts were factual, and presented the garments fairly by using the same models, size of clothing, washing process and model poses. The tests had been meticulous and Jet scrupulously ensured the copy was accurate.

Jet had for some years been repositioning itself in the market and was achieving its goals. The advertisements reflected this repositioning in an exciting way, and were aimed at changing perceptions about Jet Stores.

The adverts marked the emergence of Jet as a force to be reckoned with. Jet had "put its neck out" with confidence.

Jet had increased its adspend budget for print, radio and TV advertising substantially. The campaign might have raised a few eyebrows, Barnes said, but plans in store for next year were "destined to knock off a few socks, too".

Old Mutual drive cuts CBD vacancies

PETER GALLI

PRONOUNCED leasing efforts in Johannesburg CBD resulted in Old Mutual Properties letting more than 4 000m² of space in the quarter ended September.

Marketing manager Tommy Osborne said Old Mutual had reduced vacancies in its Johannesburg CBD office and retail portfolio by 17%.

Lettings were primarily to professional and smaller organisations.

Property investment manager Ian Watt said total vacancies had decreased despite the tough market. Rental levels were softer across the board, but the group was not offering rent-free periods because tenants needed to consider the implications over the whole five-year period.

Watt declined to give Old Mutual's CBD vacancy levelas this was "difficult to determine".

Some empty buildings had been bought for redevelopment and could not really be regarded as vacancies, he said.

While there had been movement away from the CBD, there had been nearly as much new space developed as in Sandton.

"The perception has been created that everybody is leaving the CBD and that there is nobody to replace them. This is not so. A number of businesses have to be located in the area," he said.

30

Demand for space in greater Johannesburg had also quickened, with new lettings totalling 35 165m² between July and October. About 18 000m² was for industrial property and 17 100m² for commercial space.

BDay 2/12/92

In the industrial sector, a new factory/warehouse complex was nearing completion at Droste Park off the M2 East and Eldon Stationery had signed a five-year lease for 3 462m².

At Isando, Evapco SA had taken 2 995m² for three years in the old Mather and Platt building, while Marathon Materials Handling was committed to 524m² over three years. The building was now fully let.

Other Isando leases were for 1 469m² with Xeratech and for 814m² with Reumech at Old Mutual Business Park.

On the commercial front, Kelly Greenoaks signed a 10-year lease for the 1 309m² Crosswell House in Parktown.

Other commercial leases were with Sandton Sentry Security for 502m² for five years at 9 Charles Crescent in Eastgate Sandton, Travel and Trade Publishing for 967m² at the Early Bird Centre in Richmond, and Grays Security Services for 370m² at 5 Wellington Road, Parktown.

BUSINESS New GSCCI president Sam Noge will forge links wi

Bid to unify business

■ MISUSED FUNDS GSCCI still awaits a financial report from Sitco on R2,5 million

Sowetan 2/12/92

By Mzimkulu Malunga

THE Greater Soweto Chamber of Commerce and Industry will strive for unity among business organisations operating in the area, says the new president, Sam Noge.

"We have an organisation like the Soweto Independent Shopkeepers Association with which we worked together on a number of things.

"I do not see the reason why we cannot be one body," he said.

The new GSCCI's leadership hoped to close the old chapter of divisions and concentrate on the advancement of Soweto business people.

"We work tirelessly to improve efficiency through training programmes run jointly with the formal sector," he argued.

Already, the chamber had forged a relationship with the Chamdor Training Centre to train members in strategic planning and meeting procedures.

Noge said relations with the Johannesburg Chamber of Commerce and Industry (JCCI) as well as the Johannesburg Afrikaanse Sakekamer (JAS) would be improved.

The two organisations came to the rescue of the GSCCI when the latter was experiencing financial problems.

In an effort to combat increased crime directed against business people in the township, the chamber initiated the Soweto Anti-Crime Initiative with a coalition of community organisation, he said.

SACI was already functioning and two workshops on crime and effective policing had been held.

However, the road ahead would not be rosy, he said. The GSCCI still had to resolve problems with its commercial arm, the Soweto Investment Trust Company (Sitco).

Despite the fact that Sitco was one of the projects of the chamber, the GSCCI had not received any report from the company since its formation in 1987, said Noge.

He cited the Sitco issue as one reason which triggered the formation of a breakaway group, the Greater Johannesburg Chamber of Commerce and Industry, three years ago.

There had been allegations and counter claims between the chamber and the Sitco management recently on the whereabouts of the R2,5 million received from First National Bank for the development of entrepreneurs in the township.

Noge said a substantial amount of the money bought shares in a trans-national company, Pepsi Cola, when it launched an investment comeback in South Africa.

According to him, the remaining sum bought a stake in the Shareworld complex near Nasrec in Johannesburg.

Sam Noge

There was widespread belief in chamber circles that when both ventures crashed, the funds went down the drain.

Noge has also alleged that some of the Sitco funds were squandered on overseas trips which the chamber knew nothing of.

However, Sitco's managing director, Macdonald Temane, denied that the company's funds were misused. He referred the *Sowetan* to a report delivered by the outgoing president, Philemon Makhetha, at the GSCCI's AGM last week.

In his report Makhetha, who is also chairman of the company's trustees board, said Sitco had funded various projects in Soweto, among them the *Soweto Chamber News* - GSCCI's mouthpiece.

Clicks maintains its growth record

BDay 3/12/92 (30)

DUMA GQUBULE

TOILETRIES and gifts retailer Clicks has maintained its consistent growth record, justifying its high rating on the share market by reporting a pro-rata 24% increase in after-tax profit to R10,3m for the half-year to end-October.

The group, which changed its year-end to October in line with holding company Premier, said yesterday the comparative results were for the eight months ended October 1991. To facilitate comparison, pro-rata figures were presented for the six months to end-October.

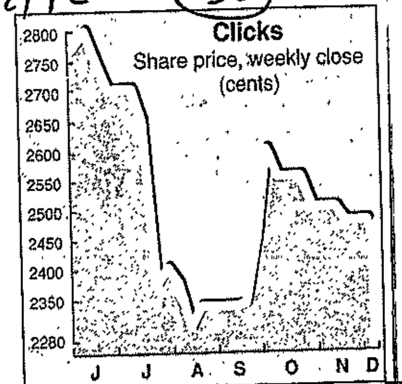
CE Trevor Honneysett said the group's Clicks and Diskom stores had turned in outstanding performances in an extremely difficult and challenging environment.

The Musica chain, which had been making big monthly losses when it was acquired in April, had, "in an amazing turnaround", made a profit for the first time in October. All indications were that Musica would stay in the black for the rest of the year.

Turnover increased by 32% to R426,4m (R324,4m) and operating profit by 14% to R20,5m (R18m).

Honneysett said turnover had been boosted by the inclusion of the Musica chain's sales for the first time. Core businesses had, however, shown real growth.

There was a R2,9m turnaround on the interest line as the proceeds from the group's R52m rights issue in April resulted in interest received of R506 000 compared with an outflow of R2,4m last year.



Graphic RUBY-GAY MARTIN Source I-NET

Pre-tax profit advanced by 35% to R21m (R15,6m). A slightly higher tax rate limited the increase in after-tax profit to 24%. Earnings a share, diluted by a larger share capital base — to 22,6-million from 20-million — rose by a tenth to 45,4c (41,48c). The interim payout was 19c a share.

Honneysett said Musica had closed a few stores and opened more for a total of 59 throughout the country.

Clicks, which remained the mainstay of the group, had opened five new stores during the period bringing the total to 135. Diskom opened 15 new outlets, bringing its total to 84. The group would have 300 stores by the end of the financial year compared with the present 278.

OK appoints Serebro to follow Hood

MARCIA KLEIN (30)

BDAY 3/12/92

MERVYN Serebro has been appointed to succeed OK Bazaars' CE and group deputy chairman Gordon Hood from next year.

Hood said yesterday Serebro, MD of the group's OK Stores division, had been appointed group MD. In view of his pending retirement early in the new year, Serebro would take the position from January 1.

Hyperama MD Philip Grover was appointed group deputy MD.

Serebro said yesterday he had "specific views on where the OK should be in terms of its customers and in terms of its acceptance in the marketplace". But it was premature to comment on any changes.

He said that functionally, he and Grover would continue to manage the OK and Hyperama businesses, but they would both be involved in group strategic thinking.

Serebro, who joined the OK 27 years ago as a trainee manager, was proud to have been "entrusted with the responsibility of orchestrating the business through a period of change".

The OK share moved up 25c to 575c yesterday on the news.

Reports could help put a lid on food prices

GERALD REILLY

PRETORIA — The Board on Tariffs and Trade's (BTT's) final report on food price escalation will be submitted to the Ministers of Agriculture and Trade and Industry on Monday and the Kassier report on the Marketing Act and 22 control boards will be in the hands of government early in the new year, says committee chairman Eckart Kassier. BDAY 3/12/92

BTT director Helgaard Muller said yesterday his organisation's first report was purely a discussion document which, among other things, suggested that the control boards be stripped of their statutory powers.

The Food Logistics Forum was expected to submit a report to government in February. Forum member Raymond Ackerman of Pick 'n Pay said government would then have all the information needed to lead a campaign to keep food price hikes down.

30

Insurer reluctant to meet JSE claim

STAR 3/12/92

By Derek Tommey

Creditors with just under R1 million in "general" claims against stockbroking firm Andrew Forbes, which defaulted in June owing R16,5 million, can expect to be paid soon, says the Johannesburg Stock Exchange.

But clients with "limited" claims may have to wait some time because the insurer which provides fidelity insurance cover has rejected the stock exchange's claim as it is currently formulated.

A "general" claim arises when the transaction has to be settled with the stockbroker within seven business days.

Transaction

A "limited" claim is when the transaction does not have to be settled in this manner, for example when a stockbroker manages his clients' portfolios.

The JSE has an R80 million guarantee fund which covers "general" claims in full.

But in the case of "limited" claims, the cover amounts to only R1 million for each stockbroker for equity transactions and a further R1 million for gilt transactions.

The JSE also has a fidelity insurance policy with aggregate cover which amounts to R100 million.

It was taken out on behalf of member firms and covers loss of securities or money as a result of theft, fraud or dishonesty.

JSE president Roy Andersen said last night the JSE was reformulating its claim under this policy. But should the claim ultimately be repudiated, the JSE may be compelled to institute legal proceedings.

The insurer's reluctance to accept the JSE claim relates to the principle that no one may insure against one's own unlawful acts.

Andersen said that as soon as the JSE had clarity on this matter (it is counsel's opinion that this principle is not applicable in this case) a further announcement would be made.

Three of the four JSE broking firms which defaulted in the past 12 months owe R22,8 million between them.

HG Crosby, which defaulted last December, owes about R2,9 million, Andrew Forbes R16,5 million and Ben Janse van Rensburg R3,5 million. Claims against Kritzas, which defaulted last month, are believed to be small.

Andersen said the JSE had already paid "general" claimants R991 776 against Crosby out of its own funds, which it would recover from the guarantee fund when full payment was made.

The JSE is also about to pay Forbes "general" claimants about R957 000. Payment of the van Rensburg claims could be delayed as a liquidator has only recently been appointed.

Andersen emphasised that the JSE was doing all it could to speed up payments of claims against these companies.

It had spent R1 million on accountants and lawyers to expedite the investigations into the defaulting companies.

Forbes is being liquidated by Kessel Feinstein and Ernst and Young. Another accountancy firm, Deloittes, is bringing Forbes' accounting records up to date and has nearly completed dividing claims into "general" and "limited".

After this, "general" claimants will be paid.

"Limited" claims will be paid when the final liquidation and distribution account of the insolvent firm has been confirmed by the Master of the Supreme Court and when the insurance proceeds have been received.

Proceeds

"Limited" claims against Crosby will also be paid out when the insurance proceeds have been received.

Van Resnburg is being liquidated by Coopers Trust and the investigating accountants, Ernst and Young, will shortly be able to determine "limited" and "general" claimants, after which the "general" claimants will be paid.

Although the claims against Kritzas have not been quantified, preliminary indications are that they should be covered by the provisions of the Guarantee Fund.

Mervyn Serebro

Philip Grover

Changes at OK Bazaars

By Stephen Cranston STAR 3/12/92 (30)

Mervyn Serebro, currently MD of OK Stores, becomes group MD of OK Bazaars from January 1 after the retirement of Gordon Hood.

Philip Grover, MD of the Hyperama, becomes group deputy MD on January 1.

Serebro says he will act urgently to restore the group to profitability. "The building blocks are already in place and I know what needs to be done."

He says that the OK has gone through an unfocused period and needs to deal more closely with customers in the C, D and E income groups.

He says at one time when competition was less significant it could afford to be all things to all people.

"We prided ourselves on carrying 60 000 items. We should no longer concentrate on carrying a breadth of merchandise, but rather on honestly carrying the commodities which best suit our consumers."

Serebro questions the group's decision to close 31 smaller stores and to focus on super stores, often in upmarket shopping centres.

"It made sense at the time, but I'm not prepared to comment further until I take over," he says.

Serebro says the OK is actively seeking sites in townships such as Soweto and Atteridgeville, but institutions are reluctant to commit their funds in such areas.

An active first day for SAB 2000

By Stephen Cranston

The newly issued SAB 2000 bond was first traded yesterday at a yield of 14,88 percent, two points short of the opening yield of 14,90 percent. STAR 3/12/92

The yield slid to 14,74 percent during the day before running up to a high of 14,86 percent and closing at 14,82.

A dealer said it was an active day with R217 million worth of the bond trading on the JSE Gilts floor alone.

It is trading 90 to 100 points higher than the benchmark RSA 147, which finished trading at a 13,86 percent yield.

Quality golds finding favour

STAR 3/12/92

By Leigh Hassall

While the bulls and bears are tussling over the future of gold, some analysts suggest that quality gold shares now offer fundamental value and recommend cautious buying.

"The rand price of gold has risen six percent since the crash of 1987, yet the JSE all-gold index has fallen 64 percent," says Andy Paterson, trading analyst at EW Balderson.

"This translates into a gap of 70 percent, the widest it has been in five years," he says.

"Gold's loss of favour with international investors, coupled with local political instability, has led to the reduced demand," adds Paterson.

The all-gold index, currently at 866, has lost 27 percent since this time last year.

However, Paterson expects 15 percent upwards correcti to 1000 over the next fe months.

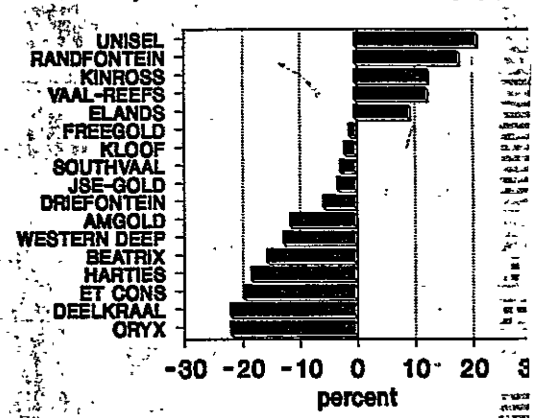
Ona technical analysis, t 1000-level marks the breaki point out of the index's curre medium-term bear trend.

"If the gold price strengthe to $355 we could see the ind rising above the 1000-mark a entering a much bigger bull market," says Paterson.

Since the beginning of t current quarter the index h dropped three percent, but few of the quality gold sha have out-shone the index.

Kloof, Elands, Randfonte Dries, Vaal Reefs and Weste Deep are on the steepest rec ery paths.

Paterson notes that Weste Deep and Elands have come the lowest base (see graph).



Capital gains tax

Boycott fails to materialise

(30)

By Abel Mabelane

A consumer boycott launched by the East Rand Civic Association (Erca) in Boksburg has failed to get off the ground.

Consumers yesterday went about their shopping as usual.

Erca general secretary Makgabu Moloto confirmed that the launching of the boycott did not materialise. He said pamphlets were being distributed to consumers to make them aware of it.

The boycott was launched against Boksburg shopkeepers because the council allegedly helped the Vosloorus Town Council to confiscate the furniture of residents who owed rent.

Star 3/12/92

The Boksburg acting town clerk denied the allegations.

Call for brand new health care system

BIDAY 3/12/92

KATHRYN STRACHAN

FIVE children die every hour in SA of malnutrition-related diseases, and 12 die every day of tuberculosis, spokesmen for health organisations said yesterday, calling for a fundamental restructuring of the country's health care system.

Speaking at a news conference, National Progressive Primary Health Care Network chairman Prakash Vallabh said latest figures from the Department of Health and the SA National Tuberculosis Association showed the desperate need for transformation of health care service.

"The unfair allocation of health resources in our country has led to widescale death and suffering. What we need is a fundamental restructuring of the health care system."

The network, together with the SA Health and Social Services Organisation, the two largest NGOs in the health sector, said they would hold a conference next week to formulate a health policy to guide SA through its transition phase.

The conference would be addressed by medical experts from 10 developing countries which had important lessons for SA.

Speaking at yesterday's meeting, Cuban doctor Leonardo Mejias said that through the development of a strong primary health programme, his country had almost eradicated diseases such as measles, which plagued SA. Cuba had also achieved a low incidence of malnutrition and tuberculosis.

SA Health and Social Services Organisation spokesman Aslam Dasoo said the conference would focus on the most serious needs of SA communities, especially in rural areas and squatter camps where lack of water, sanitation and refuse removal systems had contributed greatly to poor health conditions.

The conference would also discuss ways of making the private health care industry — which Dasoo said was "running rampant" — more involved in community health.

Conference spokesman Max Price emphasised that a focus on primary health would not mean tertiary and specialised care would be disregarded. But, there would have to be "a reallocation of resources".

Specialised care had an important role to play, especially in keeping medical experts and academics in the country, maintaining high standards and giving citizens a sense of security, said Price.

Rent summonses spark Vosloorus stayaway call

(30)

WILSON ZWANE

THE Vosloorus Civic Association has called for a stayaway in the East Rand township today to protest against summonses served on rent defaulters.

Civic association official Ali Maziya said yesterday the stayaway had been called to coincide with the appearance of some residents in the Boksburg Magistrates' Court in connection with non-payment of services.

Vosloorus town clerk George Prinsloo said dwindling revenue from residents had forced the council to take steps against rent defaulters. BIDAY

These included severe water restrictions.

Prinsloo said less than 10% of the residents were paying their accounts. As a result, the town council had been forced to cut the water supply to residents for 15 hours every second day. 3/12/92

The measure came into effect on Sunday, and according to Prinsloo, it — as well as power cuts and legal actions against rent defaulters — had been taken after a deadlock in negotiations on the payment of services between the council and the Vosloorus Civic Association.

Meanwhile a boycott of Boksburg's businesses by residents from Vosloorus, Villa Lisa, Reiger Park and Palm Ridge entered its second day yesterday.

The boycott, called by the East Rand Civic Association, was aimed at putting pressure on the Boksburg City Council to stop the Vosloorus municipality from attaching properties belonging to rent defaulters.

Boksburg acting town clerk Robert van der Merwe has said his municipality would not tell Vosloorus — an "autonomous" municipality — what to do.

However, Boksburg's management committee was prepared to meet the East Rand Civic Association to discuss their grievances, Van der Merwe said.

Boksburg Chamber of Commerce and Industries vice-president Sandra Morris said a snap survey of 30 businesses had shown that the boycott was in force.

Musica dampens Clicks earnings

STAR 3/12/92 (30)

CAPE TOWN — Clicks Stores lifted turnover by 31,5 percent to R426 million for the six months to October, compared wit the same period last year.

Pre-tax profit of R21 million was 34,5 percent up from R15,6 million previously.

Overall margins fell to 4,8 percent from 5,5 percent.

Despite the increase in the number of ordinary shares from 20 million to 22,6 million, earnings a share rose 9,5 percent to 45,40c (41,48c).

Figures

An interim dividend of 19c has been declared.

Chief executive Trevor Honneysett says profit figures were negatively affected by the Musica retail chain which it acquired last April.

In line with conservative accounting practice, goodwill of R3,8 million on Musica was written off as an extraordinary item, but was not included in determining earnings per share.

Musica was operating at big monthly losses when it was acquired, says Mr Honneysett said.

A number of Musica stores had been closed and four new outlets opened to make a total of 59 operations countrywide.

"This strategy is already beginning to show results, so much so that, in an amazing turnaround, Musica hit profits for the first time in October and all indications are that it will stay in profit for the rest of the year," he says.

The rest of the group — Clicks and Diskom — turned in "outstanding performances in an extremely difficult and challenging environment", he says.

Barring any major deterioration in the political and economic situations, he expects the group to increase earnings and margins for the full year. — Sapa.

Township traders in price war

CT 4/12/92 (30)

Staff Reporter

Defiant Indians to stay

DEFIANT Indian traders in Khayelitsha are continuing to trade in the township — and are charging less for basic foodstuffs than local shopkeepers, a snap survey has revealed.

This follows pressure by black businessmen to get the Indian traders out of the township following accusations that they are "stealing customers".

An ultimatum was issued to the Indian traders by the Khayelitsha Business Association (Khaba) demanding that they "leave voluntarily by November 30 or face harsh action".

A survey revealed that Indian supermarkets are undercutting black supermarkets. Shoppers said they were buying from Indian traders because their merchandise is cheaper.

Indian traders at the Tembani Shopping Centre, who were wary of speaking to the press for fear of reprisals, said the South African National Civic Organisation had given them the go-ahead to continue trading and they would continue to do so as long as they served the needs of the public.

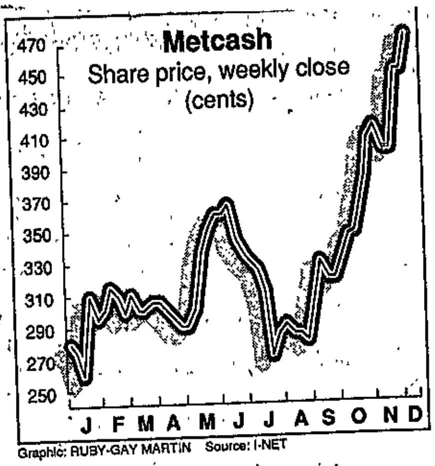
Indian traders interviewed said the fact that customers supported their stores showed that they were more competitive and the implication that many Indian traders had recently moved into Khayelitsha was incorrect.

"The irony of the situation is that 70% of the premises at Tembani Shopping Centre is owned by black landlords," one trader said.

Customers said they preferred shopping at Indian stores because the merchandise was cheaper.

A Cape Times survey revealed the following:

- The Indian-owned Goldstar Supermarket in the Tembani Shopping Centre charged R19,99 for 12,5kg cake flour; R12,99 for 12,5kg of mielie meal; R1,19 for 500gm of Van Zyl beans; R1,69 for a loaf of white bread; R2,29 for a 1,5 litre of Coke; R3,99 for a 250gm tin of coffee; and R10,99 for a 2kg chicken pack.
- The Khayalethu Supermarket, owned by a local trader, charged R21,99 for cake flour; R12,49 for 12,5kg of mealie meal; R1,39 for 500gm of Van Zyl beans; R1,85 for a loaf of white bread; R2,95 for a R1,5 litre of coke; R4,55 for 250gm of the same brand of coffee and R11,99 for a 2kg chicken pack.



Graphic: RUBY-GAY MARTIN Source: I-NET

Metcash fortunes improve further

(30)

BDM 4/12/92

MARCIA KLEIN

THE reversal of fortune of Metro Cash and Carry (Metcash), which began when the Premier group assumed control last year, continued in the six months to end-October.

The group, which includes wholesale and retail chains Metro, Trade Centre, Stax and Metbuild, reported attributable income of R24,1m for the six-month period.

MD Carlos dos Santos said turnover was R2,65bn, about 20% higher than the previous year. Operating income was R32,7m.

But results are not directly comparable as the corresponding period included only four months following a change in Metcash's year-end. Nevertheless, the results reflect a significant improvement against income of R2,3m in the four months to end-October 1991 and R28,5m in the 10 months to end-April.

Metcash declared an interim dividend of 6c a share, after passing its dividend payment in the previous four-month period and paying a dividend of 6c a share in the 10 months to end-April.

Dos Santos said no new stores had been opened during the period.

The group, which had net cash resources of R225,8m at end-October, received interest of R6,9m after paying interest of R9,7m last year. By end-April, it had received interest of R844 000.

Dos Santos said the income-before-tax margin had improved to 1,5% from 0,5%. The group had succeeded in restoring financial disciplines, reducing overheads and improving shrinkage controls. But gross profit margins remained tight.

Taxation of R13,5m reflected a 34% tax

☐ To Page 2

Metcash

BDM 4/12/92 (30)

☐ From Page 1

rate, and Dos Santos expected the tax rate to remain at this level in the coming year.

Earnings were 14,7c on additional shares in issue following the group's rights issue in November last year. Earnings in the four months to end-October were 2,2c a share, and were 17,3c a share in the 10 months to end-April.

Extraordinary income of R6,8m included mainly the reversal of excess provisions created in previous years.

Dos Santos said results were "well ahead of expectations", reflecting a strict cost control programme, financial discipline and reduced shrinkage. This was achieved in spite of competitive gross margins.

Four small Metro stores had been closed, and one Trade Centre in Pretoria and one Metro outlet in Upington were replaced by new stores.

The group has 178 Metro outlets, five Trade Centres, four Stax stores and 11 Metbuild builders' hardware outlets. It also has trading interests in Malawi, Mozambique, Portugal and Hong Kong.

Dos Santos said "the volatility of the environment and the poor economic conditions" remained a major concern. But he expected the second half to be better than the first, with Christmas and Easter trading still to come.

Market reaction to the good results saw the share rise by 25c or 5,5% yesterday to close at a new high of 475c.

Boksburg hit by boycott (30)

JOHANNESBURG. — A two-day-old consumer boycott launched by civic associations against Boksburg has caused a 50% drop in turnover in the town's CBD.

CT 4/12/92

FOSCHINI FM 4/12/92

A rare bird (30)

Foschini is a rarity among retailers. It has continued to produce real earnings growth through this long recession. For a business that markets fashion goods rather than basic merchandise, this is a remarkable feat. It speaks volumes about the capabilities of the board and its policies, and the quality of management down to the shop floor.

The interim reports have always been short on detail, and this year's trading figures for the 26 weeks to September 26 are no different. All that's disclosed is a rise in pretax income of 19,6% against *pro forma* figures for the same period in 1991, which, with the effective tax rate barely changed, leaves net income rising 20,7% to R38,8m.

Notably, EPS showed a similar increase, even with the further expansion of issued shares through the scrip dividend. Included in the attributable earnings is R760 000 sourced from the 35,5% investment in Oceana Investment Corp Plc.

An interim scrip dividend of R38,6m, equivalent to 88,89c a share, has been declared. That represents real earnings growth of about 6%. In the three areas in which the group trades, the year-on-year August retail trade statistics show nominal sector growth as: woman & babies 0,2%; men and boys 3,6%; and diamonds & jewellery 6,3%.

MD Clive Hirschsohn says income from Oceana accounts for only a nominal amount in the interim figures. Oceana's second-half earnings will produce a much greater contribution to the group's second half because it will include the Christmas season's earnings from UK fashion retailer Etam, held 34,4% by Oceana.

Seventeen new stores were opened during the first half (Markhams five, Foschini four, American Swiss eight). Hirschsohn emphasises that discounting of merchandise was not part of the strategy. The performance

continued

FOX FM 4/12/92 (30)

was derived from solid management and information systems that enabled better merchandise and credit control, and a more effective distribution system that eliminates the need for warehousing.

Hirschsohn says borrowings are within the planned range. Though the debtors' book has grown — the collection rate has slowed over the year — he is confident every ratio will be back where it should be according to the three-year plan initiated when the Oceana interest was bought.

Foschini has long produced consistently good profit growth, above and below the line, without depending on acquisitions. For many years the stock market has recognised its superior earnings capability by rating it as one of the most valued shares in the retail sector. Even during this recession the returns have remained good. Through the Oceana holding there is a rand-hedge element that will be an advantage if the rand continues to depreciate against sterling.

The obvious inference is that if the group can prosper so well in these bad times, it should outperform most of its competitors when the economy recovers. It justifies its superior rating. *Gerald Hirshon*

FM 4/12/92 (30)

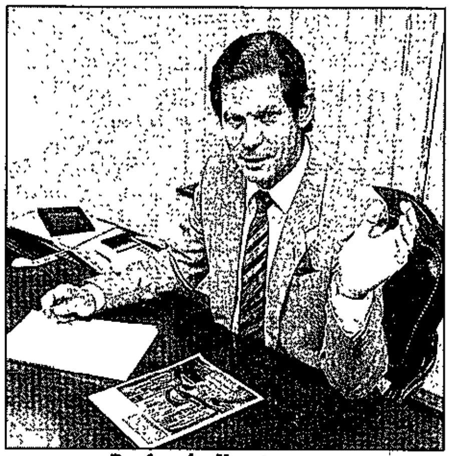
RUSFURN

Deal still possible

(30)

A deal with W&A's JD Group may still be on the cards, despite last week's announcement by Absa Merchant Bank that negotiations on a possible change in ownership of Rusfurn had been called off.

New Rusfurn CE Keith Jenkins, who with Absa's Piet Badenhorst, Danie Cronje and Danie Britz took control when executive chairman Laurie Korsten and two other di-



Rusfurn's Korsten ... *"resigned"*

rectors "resigned," says there is little he can say about his plans after being at the helm for only a few days.

Jenkins is seen by the market as a caretaker until Absa, which through its equity stake and other capital structures has an effective holding of about 90%, brings in specialised management and manages to secure Rus-

Rusfurn's Jenkins ... *turning to furniture*

furn's book, nominally worth about R605m.

JD found itself in a similar, though less serious, position just over a year ago, but managed to form a consortium with banks to back its credit exposure. Rusfurn's better performing chains, like Dion and Russells, could complement JD operations like Joshua Doore.

Shaun Harris

MILSTAN FM 4/12/92

Expensive mistake

(30)

All they want for Christmas is a reasonable level of consumer spending. A simple, yet crucial, request from management at electronic retailer Milstan.

It needs to make up lost time, and funds, after a restatement of 1991 and 1992 results drained resources and left losses of R1,4m at the February 1992 year-end. Financial director Laurence Etkind says it was only after the 1992 figures were released that irregularities became known.

FM 4/12/92 (30)

During financial year 1991, liabilities amounting to R2,2m went unrecorded and stock was overvalued by R1,2m. Auditors failed to detect the mistake and the error was carried into the next financial year. Etkind says the oversight was purely a weakness in procedure.

It was an expensive mistake. NAV fell from 68c to 57c a share. Etkind says fraud has been ruled out. Nor are management changes planned. It's hoped the introduction of computerised stock control will prevent a recurrence of the fiasco which slashed 1991's EPS from 8,9c to 0,3c and deepened the 1992 loss to 5c from 0,22c a share.

Latest interim results paint a worse picture. Milstan now finds itself almost R2m in the red. Trading conditions deteriorated further in the six months to August. While turnover declined only fractionally, intensifying competition placed further pressure on already stressed margins, resulting in a significant reduction in operating income and a loss of 7,2c a share for the half-year.

Etkind says a feature of the increased competition is the growth of the grey market in branded electronic imports similar to those stocked by Milstan. And electronic goods, being luxury items, are one of the first items to be struck off the Christmas shopping list. Milstan's liquidity before the restatement of the figures allowed the board to declare reasonable dividends. These, too, have fallen by the wayside.

With prospects for retailers looking bleak in the short term, positive earnings this year seem doubtful. The share has weakened against the retail sector over the year, having fallen from the 12-year high of 50c to 28c. It has not traded in three months and there is little incentive to buy. *Kate Rushton*

WESTERN CAPE

30

Local drive

FM 4/12/92

In a move regarded as a major step towards consolidating the western Cape's growth potential, political, community, business and labour leaders were due to meet in Cape Town this week to establish the Western Cape Development Forum.

The forum, the first of its kind in SA, is expected to interact at national level with initiatives such as the National Housing Forum and the National Economic Forum. It aims to agree on strategies to increase employment and improve the quality of life.

Proposed areas of focus include urban development and housing, improving the competitiveness of business in the western Cape, and issues related to black economic advancement.

David Bridgman, executive director of Wesgro, the regional economic development promotion organisation, says inclusiveness is crucial to the forum's success. "This has been achieved with stakeholder bodies confirming their active participation."

The 22-member steering committee established earlier this year has worked to coordinate the efforts and interests of as many interested groups as possible. "The response has been tremendous," says Bridgman. "So far, about 90% of the bodies we hoped would participate will be there."

The forum structure makes provision for three tiers: a plenary body where the highest decisions will be made; a steering committee; and several commissions responsible for addressing substantive issues related to regional economic growth. Decision-making will be based on consensus.

Bridgman says it is now accepted that regions drive national economies and make nations internationally competitive, rather than *vice versa*, and so it is in the national interest to sustain the western Cape's growth rate, which is now well ahead of the national average and expected to remain so for the foreseeable future.

The region maintained an average growth rate of about 3% during the Eighties compared with a national average of about 1%. ■

FRANCHISE ENTERPRISE

30 [redacted]

FM 4/12/92.

Franchising has become one of the fastest growing generators of economic activity in the US, where a third of all retail sales are now said to take place through franchise outlets.

In SA, franchising is still in its infancy. An estimated 6% of all retail sales are currently conducted through franchise operations. Lately, however, there has been more interest in franchising with the SA Franchise Association reporting an average of 30 calls a day from people interested in moving into franchising. This is one of the reasons the US Aid-funded Black Integrated Commercial Support Network (BICSN), together with the International Franchise Association, is organising its first-ever franchising conference in SA at the Carlton Hotel in Johannesburg on December 8 and 9.

The *FM* is hosting the conference and Deloitte & Touche, NedEnterprise and Webber Wentzel are sponsors. Delegates will be able to attend workshops held by about 15 major US franchisors on their franchise systems.

BICSN is hoping that black businessmen will be among the major beneficiaries. Says BICSN's Olivia van Melle Kamp: "We believe franchising is a potent method of developing new enterprises."

Inquiries can be directed to BICSN PO Box 1936, Randburg 2125, or telephone (011) 789-3141. Fax (011) 789-3438. The fee per delegate is R990.

The fee per delegate in R990.

Rent boycotts to continue

WILSON ZWANE

THE time was not yet ripe for the SA National Civic Organisation (Sanco) to advise its members to suspend rent and services boycotts, Sanco president Moses Mayekiso said yesterday.

He said in an interview that Sanco did not want to "encourage the culture of non-payment of services".

However, a number of things had to happen before Sanco advised its constituencies to suspend the boycotts. These included "sufficient movement towards the democratisation of government — at both local and national levels", the scrapping of the Interim Measures for Local Government Act and the Provincial and Local Authority Affairs Amendment Act and the forging of a single tax base for towns and their neighbouring townships.

Mayekiso said while negotiations were continuing in the Local Government Negotiating Committee — which comprised government and civics — authorities should not "penalise our people by cutting services".

Former Local Government Minister Leon Wessels said recently government was prepared to suspend the Interim Measures for Local Government Act and the Provincial and Local Authority Affairs Amendment Act if boycotts of rent and services were lifted.

In another development, a working group of the Local Government Negotiating Committee met this week to finalise a draft document on the establishment of a local government forum.

The document would be submitted to the committee in the new year for discussion.

The document, which Sanco has circulated to its regions, contains three options for local government:

- The inclusion of extra-parliamentary groups in the Council for the Co-ordination of Local Government Affairs;
- The scaling down of this council to make it more cost-effective and less unwieldy; and
- The establishment of a completely new forum for local government.

It is understood Sanco will push for acceptance of the third option.

4/12/92

PAC to seek black businessmen's help

(30) WILSON ZWANE

BDM 4/12/92

THE PAC is asking black business and the black professional community to work with it in finding solutions to the country's political and economic problems.

PAC president Clarence Makwetu said yesterday his organisation believed business and professional people's contribution to current political debates was vital to SA's future stability and prosperity.

A two-day conference attracting around 250 people would be held at Midrand at the weekend "to explore and develop possible synergies" between the PAC and black businessmen, Makwetu said.

Key speakers will include PAC deputy president Dikgang Moseneke, Nafcoc president Archie Nkonyeni and National Sorghum Brewery executive chairman Mohale Mahanyele.

Witness fails to recall events

BDM 4/12/92

SUSAN RUSSELL

POLICEMAN Eugene Riley, identified by two witnesses at the Webster inquest from an identikit of a suspect in the murder of Wits academic David Webster, testified yesterday he could not remember what he had done on May 1 1989, the day of the murder.

Riley said the date had no special significance for him.

The police counter-insurgency unit member told the court he and former CCB agent Ferdi Barnard had been friends since 1981.

Riley said after his suspension from the police force — he had been charged with attempted murder and robbery in Bophuthatswana — Barnard had hired him as an informant for MI last year. Barnard worked for MI from May to December last year.

Riley said Barnard had paid him for his services until August last year.

Earlier yesterday Judge M Stegmann refused an application by counsel for the Webster family, E Bertelsmann SC, for an order compelling the investigating officer to identify a source who approached him during the first week after the murder and suggested he direct his investigation towards CCB MD Joe Verster.

The judge said there was nothing to suggest that the source could offer information that was not already before the court.

The court adjourned until January 19 when counsel will present their closing arguments.

JSE suspends listing of Bester Investments

STAR 4/12/92.

By Roy Cokayne and Patrick Hlahla

The Johannesburg Stock Exchange (JSE) has suspended the listing of building and property development group Bester Investments Ltd following the provisional liquidation of the group's main operating subsidiary, Bester Homes (Pty) Ltd.

Bester Investments Ltd executive chairman and Bester Homes (Pty) Ltd director Theunis Bester said the provisional liquidation did not mean the entire group was on the verge of collapse and final liquidation.

This was confirmed by Gerrit van den Berg, Northern Transvaal regional general manager corporate division of Amalgamated Banks of South Africa Ltd (Absa), which brought the provisional liquidation application in the Pretoria Supreme Court on Wednesday.

"The final liquidation of Bester Homes (Pty) Ltd is definitely not on our agenda," said Van den Berg. He said that because there was more than one creditor bank involved, they had opted for the provisional liquidation as a mechanism to make it easier for the creditor banks to enter into a scheme of arrangement.

Bester said: "The whole idea is the downsizing of the company, and we are proceeding with that."

Holdains to raise R180-m

STAR 4/12/92.

Finance Staff

Holdains, the paper and packaging group in the Malbak stable, has announced a R180 million rights offer to finance its acquisition of a 50 percent stake in Crown Cork Company SA.

Beverage can maker Crown Cork is the local subsidiary of US group Crown Cork & Seal.

The proceeds of the renounceable rights offer will also be used to finance Holdains' 30 percent interest in Crown Cork & Seal's operations in Zimbabwe, Zambia, Kenya and Nigeria.

Holdains says the funds will also allow the group to facilitate future expansion of its acquisitions.

Malbak will underwrite the issue. Details will be announced in January.

Business as usual for Tollgate subsidiaries

Finance Staff

STAR 4/12/92.

CAPE TOWN — Four major companies employing about 2 500 people are "carrying on business as usual" after the collapse of their parent company, Tollgate, in the biggest Cape company crash this year.

Tollgate Holdings was placed in provisional liquidation in the Supreme Court on Wednesday.

Joint liquidators are to be appointed to run the companies and a deal is expected to be struck with bankers to keep them going.

Absa, which inherited the Tollgate accounts when it took over Bankorp, applied for liquidation as a last resort after unsuccessful attempts to keep the group afloat.

The banking giant should recover some of its money if and when Tollgate's remaining assets are sold off.

But with Tollgate's debt to Absa topping R305 million, the bank is thought to have already written off most of the liabilities as a bad debt.

The main operating companies left in the shrunken Tollgate empire are:

- Motorvia, the group financing division and operator of the Motorvia car ferry business.
- Entercor, whose main divisions are Springbok Atlas Safaris, Greyhound Citiliner, Showtime International, Six Street Studios and Moving Media.
- Greyhound Coach Lines.
- Quicksilver Coach Lines.

Christo van Niekerk, Motorvia director, said that barring a few technicalities it was business as usual. He expected to be notified about the future of the vehicle ferrying operations shortly.

Greyhound

An employee at Greyhound Citiliner confirmed that services were still running.

Motor Racing Enterprises (MER), which manages the Kyalami racing track, is not affected by the provisional liquidation order against Tollgate Holdings.

MER was acquired from Tollgate through a management buyout by two directors, Dave McGregor and Mervyn Key. They have secured a long lease for the Kyalami circuit.

At least two major Durban-based companies — Toyota SA and McCarthy Group — are directly affected by the provisional liquidation.

McCarthy, through its 50 percent partnership with Standard Bank in McCarthy Finance, is taking action to enforce a claim for R3,9 million against TGH after its acqusition last year of the full maintenance lease business Autovia from the provisionally wound up TGH subsidiary Motorvia.

Motorvia's fate has a direct effect on the country's biggest vehicle assembly business, Toyota SA.

Toyota group financial director Pieter Robinson says Motorvia ferries about 75 percent of production from the vehicle assembler's Prospecton factory near Durban, representing 5 500 to 6 000 vehicles a month, to inland destinations.

"Motorvia is our major mover of vehicles and we are its biggest customer," he said.

Cemenco in black but skips payout

By Sven Lünsche STAR 4/12/92

Despite a marked decline in turnover, engineering group Cementation Company Africa (Cemenco) returned to profitability in the year to end-September.

However, in view of the poor outlook for trading conditions in the current financial year the directors have decided not to pay a final dividend on the ordinary shares.

Turnover in the 12 months fell from R325,2 million to R265,3 million but net operating income showed a strong turnaround from a loss of R4,7 million to profits of R5,1 million.

Attributable income recovered to R397 000 (loss of R7 million), which translates to a sharp improvement in earnings per share to 4,4c from a loss of 78c.

The directors say that while the group achieved a marked improvement in full year results, deteriorating conditions in the second half affected the group's performance, with all divisions experiencing shrinking markets.

Tight controls help recovering Metcash

By Stephen Cranston (30)

STAR 4/12/92.

Metro Cash and Carry (Metcash) continued its recovery, with earnings per share up to 14,7c, compared with 2,2c in the four months to October 1991.

A dividend of 6c has been declared.

In the year to June 1991, prior to its acquisition by Premier and the appointment of Carlos dos Santos as group MD, Metro had reported losses.

Dos Santos says that trading conditions remained difficult, but the results were "well ahead of expectations," and were largely due to the strict cost control programme, financial discipline and reduced shrinkage.

Gross profit margins were tight, but the operating margin improved from 0,45 percent to 1,49 percent.

Dos Santos attributes the improved results to a highly motivated and focused management team.

"The guys are beginning to believe in themselves and are moulding into a formidable team," he says.

"They work to well-defined goals and guidelines. Progress is monitored regularly and incentive bonuses are linked directly to performance."

Turnover rose by 20 percent on a comparable basis to R2,652 billion. Attributable income increased more than tenfold to R24,1 million.

In particular, interest payments of R9,7 million were transformed into net interest received of R6,9 million.

The group has a strong balance sheet, with net cash resources of R225,8 million. Current liabilities, mainly creditors, rose 5 percent.

Metro expects its effective tax rate to remain at 34 percent in the second half.

During the period four small Metro stores were closed, an old Trade Centre was replaced with a new store in Pretoria and the Metro in Upington was replaced.

The group now has 178 Metro outlets, five Trade Centres, four Stax stores and 11 Metbuild outlets.

It has investments in trading operations in Malawi, Mozambique, Portugal and Hong Kong.

Dos Santos says the volatility of the environment and the poor economic conditions make forecasting difficult. But with the Christmas and Easter trading periods to come, the second half should be better than the first.

STAR 4/12/92.

All along the Waterfront

W-E/Mail in W/mail (30)

On Cape Town's Waterfront, suburbia seems to have concentrated all its assets in one place. Add a bed or two, and you'd never have to leave. **TONY KARON** *limits himself to a day trip*

4/12-10/12/92.

No sailors here ... The Waterfront Mall

Photo: GUY TILLIM

IN his book of surrealist reportage of the Angolan war, Polish journalist Ryszard Kapuscinski describes how a "wooden city" sprang up overnight in Luanda when Portugese settlers emptied their homes into large crates on the streets. The "wooden city" moved to Luanda's harbour, where it remained for a time. One day, without warning, it simply disappeared, packed onto departing boats as the settlers fled.

The Exclusive Books outlet in The Wharf — the latest addition to Cape Town's Victoria and Alfred Waterfront — does not have Kapuscinski's book on their shelves.

And the Waterfront's concentration of suburbia's favourite things into a guarded compound certainly conveys the sense of a culture uncertain of itself in time and place. Launched two years ago, the development has been a massive boost for tourism and successfully re-connected the city with the harbour.

While Greenmarket Square traders report a falling off of business and Sea Point restaurants close by the dozen, the Waterfront is growing. Its most recent addition is The Wharf — a giant shopping mall whose 110 stores include branches of most of Cape Town's top clothing stores, and everything from computer software shops to a Pick 'n Pay.

The Wharf also houses a plethora of new restaurants and bars, which push the total in the Waterfront to 34. Many of them present live music (mostly jazz), which together with three theatres and an 11-screen Nu Metro cinema make up the bulk of Waterfront nightlife. The entertainment complex has parking for 3 000 vehicles, with a further 2 000 bays planned. Even then, it is sometimes difficult to find parking.

The Waterfront's pleasant environment — pretty little boats bobbing in the harbour, seals lolling about on platforms, the cry of gulls, sea air and the like — has attracted the public to its precincts. When asked to assess the Waterfront, a young shopper in a tangerine polo shirt clutching a CNA packet waxes enthusiastic: "I have never in my life seen such a success. It reminds me of when I went to San Francisco. Very cosmopolitan."

In its first year of operation, the Waterfront drew seven million visitors. This, says the V&A Waterfront company, puts their development into the same league as San Francisco's Pier Five (which attracts 10,5 million visitors a year) and Euro-Disney (which aims at 11 million). Such comparison, unfortunately, holds for character as well as scale.

According to an audio-visual presentation aired every half-hour in the Waterfront's information centre, the development is "turning back the clock" to an era when the harbour was the centre of Cape Town's city life (which may account for some of its idiotic "period" accoutrements, like the security guards' Boer War-vintage white pith helmets).

This, they say, is in keeping with a global trend, citing dockland redevelopments in San Francisco, Boston, Baltimore, Vancouver and Sydney. Again, a telling association. Because each of those developments probably has more in common with the others than with anything else in their native cities.

Waterfront developments of this type are a little like Club Meds. Whether in Majorca, Mauritius or Mexico, it's all the same holiday — all that really changes is the content of the curio shops. They can make you feel like a tourist in your home town. The only other institution capable of that feat is the travelling carnival, which visits once a year.

Despite the permanence of its fixtures, the Waterfront exudes the transient feel of a carnival, as if all your favourite restaurants and shops had suddenly relocated to Nasrec for a permanent Rand Easter Show. Of course, at a carnival, you expect to find umpteen food stalls separated from each other only by bits of hessian. But when 34 restaurants, pubs and fast-food diners are erected, almost over-night, within burping distance of each other, something else is created: A mall.

And yet this is exactly what attracts the punters. Ask shoppers and staff down at the Waterfront why the development has been such a success, and after telling you it's "different", they'll emphasise that the appeal lies in the concentration of the public's favourite venues in one place.

"It's different," a Sea Point joller tells me in a souvlaki bar. "All the shops are together in one complex, so you can visit all of them in one night." A young Salt River man in Raiders cap concurs: "Everything you want is in one place, and you can enjoy yourself as well."

A waiter at the Spur seems slightly defensive: "It's different. Something that South Africa has never seen before. Its just *different,*" he emphasises. "Like a festival. Very festive." Back at the Spur, a young waitress emphasises convenience: "You can do your shopping at Pick n Pay, then buy a dress at Jenni Button, have a meal at any restaurant and then you can go and watch a movie. And there are about twenty different pubs here."

Her sentiment is echoed by the proprietress of a small craft shop: "Everything is here. You just need a bed, and you'd never have to leave."

Convenience aside, these comments suggest a subconcious laager mentality. Uncertain of itself amid escalating social disintegration and hostility, suburban culture seeks to concentrate its assets within a defensible perimeter. For the tourists, the Waterfront is Cape Town scrubbed, perfumed and packaged. It invites them to discover the city on the same terms as a paint-by-numbers picture postcard.

There are no bergies or strollers on the Waterfront. No obvious prostitutes, no buskers and no street-traders. Even its craft market is limited to "a score of carefully-selected craftsmen and women".

The only sailors you're likely to find at the Waterfront are from the Cape Town Yacht Club. Those who come off the Taiwanese tuna boats and Russian ice-breakers head down to the bottom end of the city, where sleaze survives (barely).

At the other end of town, Greenmarket Square overflows in colourful chaos, sprawling its way down the St George's Street mall. City traders challenge Council traffic regulations amid the cheery cacophony of Cape Town's cultures encountering each other on the street. Eventually, St George's Mall will be joined to the Waterfront by a canal.

But they will remain distinct experiences of Cape Town leisure-time.

The Waterfront feels a little like Kapucsinski's wooden Luanda. One morning it may be gone.

Khayelitsha threats 'racist'

Political Staff

THE threats against 15 Indian businessmen to quit Khayelitsha by a local business association were sinister, racist and shocking, the Democratic Party said yesterday.

The party's regional executive had taken note of the recent threats to the effect that "15 businessmen were given ultimatums by the Khayelitsha Business Association (Khaba) to leave (Khayelitsha) voluntarily by November 30 or face harsh action," its Western Cape chairperson, Mr Jasper Walsh, said in a statement.

Mr Walsh said that to the extent that it had been correctly reported that Khaba had threatened the businessmen with action, the DP utterly condemned them and their decision.

"The Cape needs economic growth, not witch-hunts. 30 CT 5/12/92

"We call on Khaba to reconsider their views, to desist from applying any further pressure

SMALL BUSINESSES: *Keep tabs on cash flow*

Budgeting gives a firm direction

Star 5/12/92. (30)

LEIGH HASSAL continues her series aimed at guiding new entrepreneurs through the hazards of going it alone in the world of commerce.

IMPROVING sales and profit growth are the usual financial goals of the small-business entrepreneur, yet the lifeblood of the business, cash, often gets less attention than it deserves.

One of the common causes of small-business failures is the entrepreneur's lack of financial expertise.

A fundamental financial tool seldom used by the small business is budgeting and, in particular, cash-flow budgeting.

A budget is a financial plan for the business, detailing expected levels of income and expenditure. Budgets are usually prepared at monthly intervals and should, ideally, cover a period of three to five years.

Yardstick

A major advantage of the budgeting process is that it forces the entrepreneur to spend some time on assessing what his financial goals are and, importantly, to plan how to get there.

Another common cause of business failure is lack of detailed planning. An advantage of the monthly budget is that it provides a yardstick whereby the entrepreneur can measure his performance. This comparison of actual to budgeted performance is an extremely useful control measure as it allows differences to be investigated and corrective action taken.

The budget could also act as a motivating tool for the entrepreneur. "Going it alone" in a small business can be a lonely venture and a monthly budgeted turnover could act as an incentive.

The extent of budgeting is determined by the size and complexity of the business. Larger companies might have a detailed budget for each major division as well as for different accounting areas such as raw materials and sales. However, the small business will suffice with a monthly income statement, cash flow budget and year-end balance sheet.

The current recession is causing many small business to experience cash flow shortages. A monthly cash budget should therefore be regarded as a necessity by the entrepreneur. This budget is different from an income statement in that it is based on the expected cash inflows and outflows on a monthly basis. It ignores non-cash expenses such as depreciation and caters for the fact that all debtors do not pay in 30 days.

The easiest way to prepare a cash-flow budget is to convert the monthly income statement budget into cash amounts which slot into the period in which they are to be paid or received.

The prime advantage of a cash-flow budget is that it provides advance warning of a cash-negative month and allows timeous action to be taken. The entrepreneur's banker is far more likely to grant temporary loan facilities on the basis of a timeous request, supported by a well-planned cash budget than on a last minute cry for help.

A cash-flow budget will also reduce the likelihood of the business exceeding its overdraft limit and possibly incurring a much higher interest rate than that charged for the overdraft limit.

The budget allows for efficient cash management. A month-end cash surplus can be put to work in a higher interest-earning account instead of sitting in a low-interest current account.

Harry Rubin, partner of Ernst & Young's Business Services Group, provides a number of pointers on the cash budget. "It is common-place for bankers to require a cash-flow statement and it is also common-place for the entrepreneur to submit an overly optimistic statement.

"A far better relationship with your banker will develop if your cash budget is realistic."

Expenses

Rubin points out that many small-business entrepreneurs forget to budget for their individual provisional tax payments. This results in the business being hit with an abnormally large cash requirement two or even three times a year. Rubin suggests that a monthly amount be put aside for the tax charges.

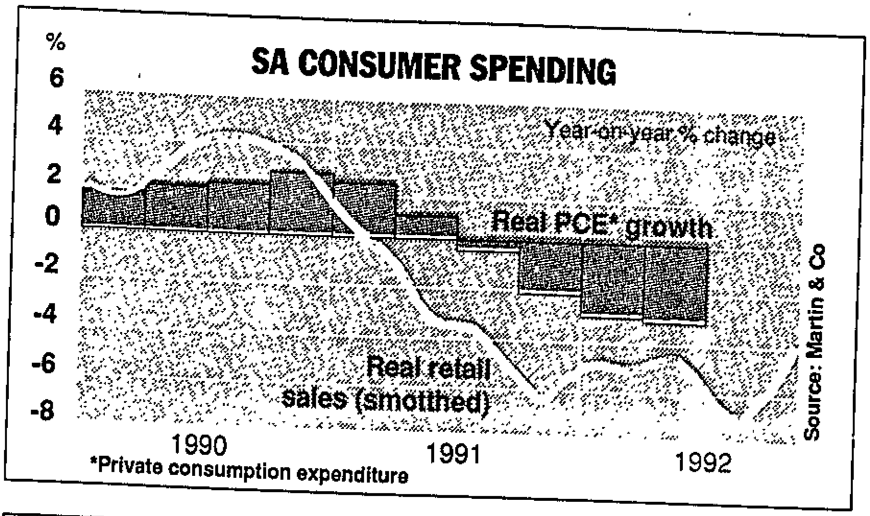
"December and January should be regarded as 'expense months' for most businesses. Not only will year-end bonuses have to be paid out, but these months are traditionally quiet months," he adds.

Budgeting is a useful tool for the entrepreneur. However, it must be used on a regular basis and not filed away "for future reference".

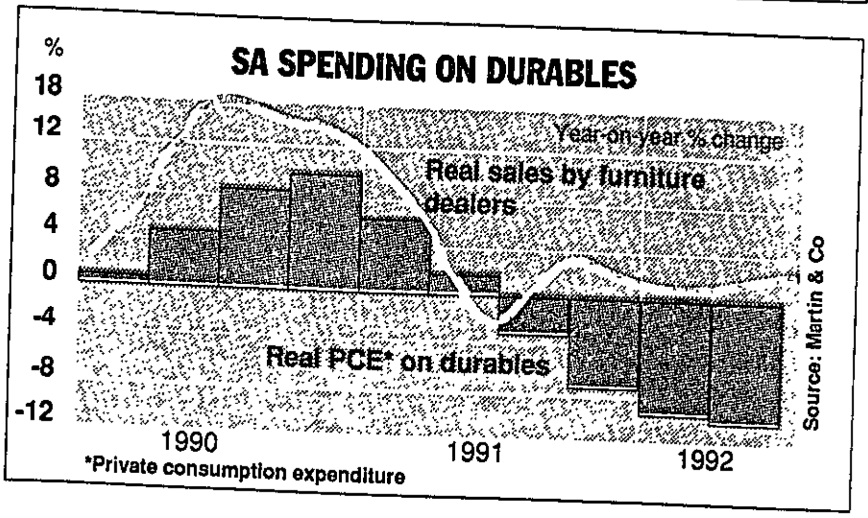
Retailers share customers' woes

S/Times 6/12/92.

30



*Private consumption expenditure



*Private consumption expenditure

Sunday Times TOP 100

By JANET MILLS and JEROME O'REGAN

EARNINGS of consumer-based companies came under pressure this year, particularly cash businesses. The causes were disposable incomes lowered by high interest rates, the drought and rising unemployment.

However, most blue-chip companies managed to report flat to modest rises in earnings.

It was a year of consolidation after the merger activity of the previous year for companies in the retail and wholesale sector.

Wooltru turned in poor results, largely because of problems in Woolworths itself. The position was exacerbated by cash-strapped customers turning to credit.

Checkers, now in the Pepkor stable and under Shoprite management, managed to break even in the six months to August 1992.

For the sector as a whole, earnings and dividend growth was not enough to sustain demanding ratings attained on the back of the "new SA" in the first half of 1991. The sector underperformed both the overall and financial and industrial indices for the better part of 12 months.

POOR

The index constituents — Edgars at 23%, Pepkor 20%, Foschini 16%, Pick 'n Pay 15%, Wooltru 14%, CNA Gallo 7% and Clicks 5% — are all highly rated and generally poorly traded.

Even though ratings are still at a premium to those of the financial and industrial index and earnings growth prospects in the short term look mundane, ratings are back to levels where investors are prepared to accumulate the shares to maintain longer-term positions. This demand is likely to underpin the sector at current levels.

Rerating of the major food companies led to outperformance of this sector in spite of negative relative earnings and dividend growth. The earnings underperformance of the sector is entirely the result of Rainbow's poor showing.

Cadbury Schweppes produced excellent growth in spite of recession. It was helped by its widely diversified portfolio of products which enables it to benefit from consumers buying down as their pockets are squeezed.

Fedfood was merged with Kanhym and came into the Malbak group. The new group is called Foodcorp and it has received a favourable response from investors.

In general, the relatively high ratings of food companies reflect their largely high quality as well as their traditionally defensive nature.

A good relative performance by SA Breweries was not enough to offset weakness of the other two constituents of this sector, Kersaf and M-Net.

Kersaf, which owns Sun International, suffered from political concerns about future homelands, increased competition from the proliferation of small casinos in urban areas and some investor worries about the size of the Lost City development and whether the group could achieve an adequate return on the money spent.

PARENT

M-Net acquired FilmNet, a European pay-TV operation. Although it has good medium-term potential, it has hurt earnings in the short term. So M-Net's stratospheric rating has fallen.

Sappi made a R1-billion rights issue late in 1991 to recapitalise the balance sheet and shortly thereafter acquired 90% of Hannover Papier Germany. The R900-million consideration for this was raised here and abroad and Sappi is now listed in London, Paris and Frankfurt.

The deal has resulted in turnover now being sourced a third each from exports, domestic sales and foreign interests.

Packaging companies have done reasonably well in difficult circumstances. Leading packaging company Nampak has been significantly rerated this year.

Holdains, another diversified group which owns Kohler among other businesses, announced that it would buy 50% of Crown Cork, which has until now belonged to its American parent.

In spite of reasonable retail clothing sales, the textile and clothing manufacture sectors have had a difficult time. Textile manufacturers have been affected by huge imports and earnings have been under severe pressure.

STAKE

Frame, the largest manufacturer, is incurring large losses. A consortium led by the Seardel group bought a large stake in the business in the hope of turning it around. Institutional investors, however, have shied away from the entire sector, unwilling to invest in an area where the Government's strategy seems to change by the month.

This has been reflected in a severe downrating. A more favourable attitude to the sector must await signs of improved demand and a less capricious government approach to the industry.

■ *Janet Mills and Jerome O'Regan are investment analysts at Martin & Co Inc.*

Glut of office space in CBD, so firms 'move up'

S/Times (Cape metro) (30)

By SELWYN GINSBERG

6/12/92

A HUGE glut of office space in Cape Town's city centre has resulted in an average 30 percent reduction in rentals, allowing many firms to move to more prestigious accommodation.

Landlords have also reacted to market pressures by offering incentives to attract potential tenants — including several months' rent-free accommodation and, in some instances, assistance with their relocation costs.

This situation results from a combination of excessive office space and the current recession.

And the supply of available office space in the CBD is set to increase even more when several new developments — including Safmarine House and Dynamic Life Centre — are completed early next year. This is expected to keep rental levels relatively static for at least the next six months, property rental sources said this week.

But, despite the glut, there is still activity in the leasing market, but nominal rents have remained almost constant since the beginning of 1990 — although allowing for inflation, rentals have effectively decreased by almost 30 percent , allowing many companies to move to more prestigious accommodation.

Mr Barry Erasmus, a director of DCF Properties, said:"Many companies, both big and small, who had their relocation plans on hold, are now reaching the stage where decisions have to be made, and certain large enquiries and leases just negotiated confirm this.

"Renegotiation of leases by some companies, resulting in lower rentals, is also happening more often, he said.

There is, however, a difference between old and new buildings. There is a relative shortage of accommodation in established "A" grade buildings — those at the upper end of the market, usually with indoor parking and service lifts.

In contrast, there is a surplus of space in some newer "A" grade complexes, and there is an 11,8 percent vacancy rate in the "A" accomodation and a 12,8 percent rate in the "B" grade segment.

The rental market is largely dependant on the economy, but there are already signs of recovery.

For example, a number of companies have become less inclined to wait for a political settlement, and are carrying out long-term plans which have previously been kept on the back burner.

These will almost certainly have a knock-on effect and help to stimulate a recovery — eventually affecting the commercial rental market.

Although it is accepted that any upturn in 1993 will have a direct influence on rentals, this may not happen immediately. Mr David Russell of Dunlop Heywood, said rentals have been static for three years and there is no chance of them moving over the next year.

"Even if there was a massive turnaround in the economy, it would take 12 months for existing rentals to go up."

This is because there is nearly 100 000 square metres of "A" and "B" grade office space in and around the CBD.

On a more positive note, say rental souarces, when the upturn finally comes, it will happen first in the CBD.

Most property brokers believe that — unlike Johannesburg — there is no trend towards decentralisation here and they expect the CBD to go from strength to strength, remaining the hub of commercial activity well into the next century.

"Decentralisation was not as popular in the Peninsula as elsewhere in South Africa, but more developments are likely to occur," says Barry Erasmus.

The CBD is popular because it provides a good, safe working environment, said Mr Russell. This has been enhanced by council-sponsored developments like as Thibault Square and St George's Mall.

WE'RE ORDI[NARY] FOLK WHO

S/Times (BUSS) 6/12/92.

By JULIE WALKER

Sunday Times

TOP 100

NUMBER 3

1987: R10 000

1992: R74 575

PEPGRO chairman Christo Wiese attributes his group's phenomenal success to getting ordinary people to do extraordinary things.

Mr Wiese, a co-founder of Pep and recipient of a Business Times Top Five Businessmen of the Year award in 1987, says: "From the top down, we are ordinary people. But we have identified with some basic business principles that have stood us in good stead.

"The company has a clear understanding about the focus of its business and what it wants to do. We retail to the mass market and provide basic food and clothing.

"There are five parts to our strong yet simple guiding philosophy: faith, positive thinking, hard work, enthusiasm and compassion. This is a young and forward-looking company and these guidelines equip us to deal fairly well with the inevitable setbacks."

WOMEN

The philosophy is exportable — Pep is establishing a chain of clothing stores in Scotland and England on the "pile 'em high, sell 'em cheap" system. Pep has also set up business in Botswana.

All this stems from the Upington shop opened 26 years ago by Renier van Rooyen — Mr Wiese's relative, friend and mentor.

The group has more than 1 500 stores in Southern Africa and employs 40 000 people. Pepkor has been at the fore in equality — more than half of its shops are managed by blacks and women.

Pepgro — the pyramid holding company with 54% of Pepkor — did better in terms of share-price rise over five years than did the operating arm. Because of low liquidity on the JSE, it was decided to include the best performer from a stable of linked shares in Business Times Top 100 tables, rather than only the operating company.

Pepkor houses several retail businesses. It has 62% of Cashbuild, 63% of Smart Centre, 84% of Pep Limited, 100% each of Ackermans and Stuttafords-Greatermans and 87% of Tradehold, which in turn has 76% of Checkers-Shoprite (Tradegro).

A February yearend, Pepkor's sales for the 12 months to August this year hit R6,9-billion and profit before extraordinary items of R102-million — in a recession.

In the six months to August, Pepkor established Tradegro as the holding company of the group's food retailing interests, Shoprite and Checkers. It sold all properties to the businesses that occupy them and bought Ackermans out of Pep.

BROWS

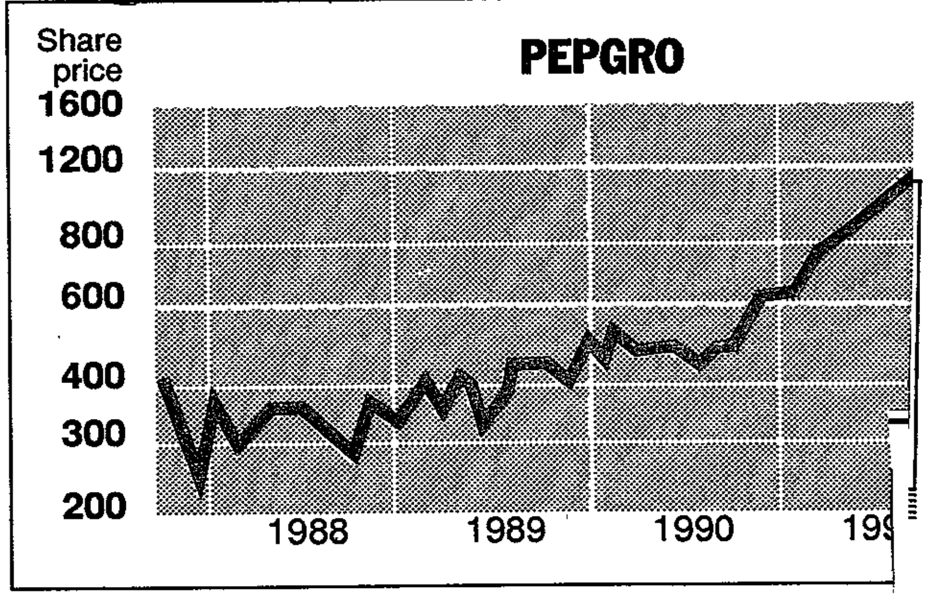
It also raised R262-million through the issue of convertible debentures in July.

Eyebrows were raised when the group bought Checkers — a group that never seemed to come right. Pepkor believed that its successes with Shoprite (bought in 1979 and turned into a money-spinner) and Grand Bazaars, turned around within two years, would see it through.

Checkers has stopped losing money and Tradehold made a profit of R9,3-million in the six months to September.

Mr Wiese says Pepkor's takeover of four listed companies in the past 18 months has had a far-reaching effect on the group. In all cases, the takeovers were made to strengthen Pepkor's position and expand operations in its chosen markets.

Smart Centre gave access to credit sales of clothing to the urbanising black community. The acquisition of 42 Frasers stores from Tradegro in March 1991 opened a door to the mining community.



The oyst

S/Times

RAT

Harties, which cam aboard in June last yeaı gave a wider geographica spread before succumbin to the Pep name. Survey showed conclusively ıg preference among consum ers for Pep. All Harties shops were converted. s

To an outsider, the single largest endorsement of in-

things.

The group tries to attract the highest calibre staff members and everyone has a share in the business, including the tea lady.

"We believe that if we deal well with our staff, they will deal well with our clients," says Mr Kantor.

Investec's management style is highly participative. It expects three key attributes in its people in their internal and external dealings: integrity, openness and flexibility.

These values have enabled it to generate confidence in the market.

STRONG

Mr Kantor says: "We have built up credibility because we have always done what we undertook to do."

Many of its products have been creative, such as its innovations in Krugerrand dealings and Elfi (equity-linked fixed-interest stock), which was SA's first Tradegro and Cashbuild to

Mas Holdings in red though turnover up

STAR 7/12/92

Finance Staff (30)

Mas Holdings reports its first loss as both the SA and UK operations experienced a drop in profits in the six months to end-August.

Turnover of the mail order and direct selling group rose from R97,8 million to R110,8 million, but the group showed a loss of R871 000 at the operating level, compared with a profit of R5,9 million in 1991.

At the attributable level the loss was R830 000 (against a profit of R5,6 million), equal to a loss of 3,55c a share.

No interim dividend is being paid.

In addition to the poor trading environment, Mas warns that its newly acquired subsidiary, Magic by Mail, could be subject to claims against its vendors as the result of an enquiry by the UK Customs and Excise Department.

Ignore call for boycott – tycoon

(30)

STAR 7/12/92

Residents of Mapetla in Soweto have been urged to resume a boycott of the businesses of tycoon Godfrey "Godfather" Moloi.

Pamphlets distributed in the area say this should be done to pledge "solidarity with his victims".

Moloi said yesterday: "The campaign is just to destroy my business, but whoever did it, I'm appealing to the rest of the community to come and pray with me." He said he would not be threatened by "faceless and anonymous" people.

COMPANIES

Directors to acquire Racy Enterprises

EDWARD WEST

THE Racy Group is to sell its operating subsidiary Racy Enterprises to directors Cyril, Elliot and Ralph Hendler for R12,75m cash from January 1 1993, it was announced today.

Racy Group is the holding company for its long distance transport subsidiary Racy Enterprises, trading as Hendler's Industrial Carriers.

Hendler's Industrial Carriers owns diesel engine workshop company Dinsa Holdings which trades as Diesel City.

Racy will be constituted as a cash shell with cash resources equivalent to about 51c a share. Racy was untraded at 47c on Friday.

Racy's listing is to be suspended following the disposal and should no further assets be acquired within eight months, the listing will be terminated. Racy Enterprises's shares and claims against Dinsa Holdings is to be sold to Racy Group chairman Ivor Jacobson for R3,5m.

Directors gave as rationale for the disposal the capital intensive nature of Enterprises's transport fleet and reduced margins in Enterprises and Diesel City.

They said in current conditions, a dividend was unlikely to be declared at the end of the financial year to March 31 1993.

In the six months to end-September 1992 Racy Group's turnover increased to R33,2m from R32,4m at the same time last year. However, operating profit fell substantially to R1,4m (R3,4m). Operating margins dropped to 4% from 10,6%.

Leverage came down to 39,1% from 39,8%. Interest payments were lower at R887 000 (R1,1m). The after-tax rate fell to 32,1% (42,6%) and taxed income plummeted 77% to R318 000 (R1,4m).

Earnings a share amounted to 1,2c compared with 5,4c in 1991.

BDay 7/12/92

Ill-timed expansion drags down Mashold

BDay 7/12/92 (30)

LINDA ENSOR

CAPE TOWN — The 38-year-old mail order and direct selling group Mas. Holdings (Mashold) reported its first loss of 3,55c (25,64c) a share in the six months to end-August, due mainly to its ill-timed expansion into the UK.

An operating loss of R871 000 (R5,9m profit) was suffered on a 13,3% rise in turnover to R110,9m (R97,8m). This translated into an attributable loss of R830 000 (R5,6m profit).

Neither Mashold nor its parent Mashold Consolidated Investment Holdings declared an interim dividend and no improvement in the results were expected for the full financial year because of the difficult economic conditions.

However, group MD Marco van Embden said the group was expected to return to profitability in the following financial year.

Newly acquired UK mail order subsidiary Magic by Mail performed far worse than expected due to the UK recession, group financial manager Brian Taylor said.

He added that an inquiry was under way in the UK regarding claims against the vendors of the company in terms of their warranties arising from queries by UK Customs and Excise over the basis of valuation of imports for VAT and duty purposes.

Also, the activities of Wondercooker UK, which was launched towards the end of 1991, had to be curtailed severely because sales did not meet forecasts and this, together with overhead costs, had resulted in losses.

Van Embden said marketing and overhead costs of the two UK operations had been cut and all fixed costs for Wondercooker UK had been converted to variable costs relative to sales.

He said remedial action had to improve profitability throughout the group and consolidate the business.

"The group has taken swift action in cutting overheads and has rationalised all non-profitable areas. A stock reduction programme is currently under way and a one-year strategic plan has been implemented for each subsidiary to ensure optimum performance during the course of next year."

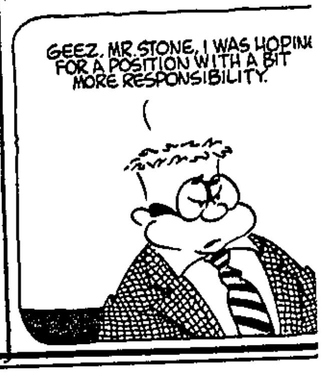
The core mail order subsidiaries catering for black consumers had shown improved profits over last year despite deteriorating trading conditions and fierce competition from a flood of cheap imported, second-hand clothing.

However, the recession, unrest, mass action and violence had affected direct selling subsidiary Tablecraft severely and the Grolier subsidiary, which sells books, encyclopaedias and such like, also experienced a drop in profit.

Van Embden said Mashold, one of the largest customers of the Post Office, had negotiated a bulk user reduced rate structure with effect from this month and this would improve the group's cost structure.

The export development programme into Africa had continued and new markets, with great potential, had been accessed.

EXECUTIVE SUIT

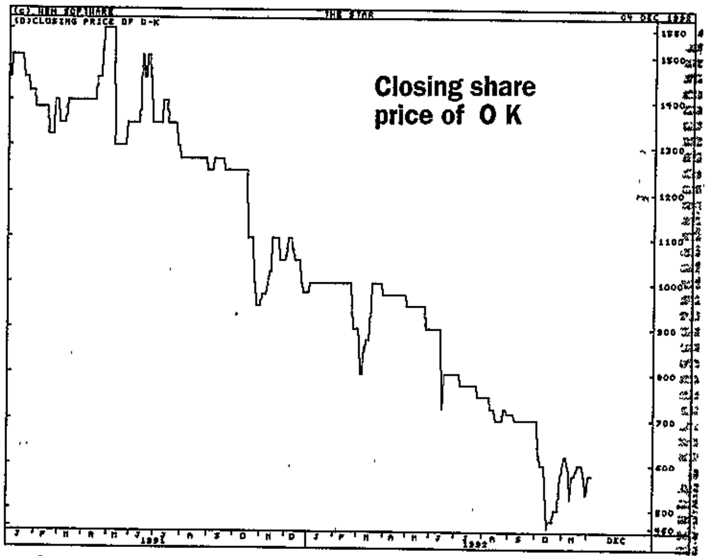


Market responds favourably to approach of OK's incoming MD

STAR 8/12/92

By Stephen Cranston

(30)



Mervyn Serebro, incoming MD of OK, has a formidable task in front of him. But the market is already encouraged by the contrast in his approach to that of predecessor Gordon Hood.

Hood insisted there was nothing wrong with the OK's market positioning, which was unashamedly aimed at a universal target.

A key component of Hood's strategy was to build stores big enough to take all the major departments.

Smaller ones, which could not be expanded, even a few profitable ones, were axed.

Serebro has questioned this commitment to a breadth of merchandise, and indeed to a breadth of customers.

He says the OK's focus should be firmly on the C, D and E income groups.

Syd Vianello, an analyst at Ed Hern, Rudolph, says a great deal can be read into the few statements Serebro has made so far.

"At last the OK has identified its target market correctly. It has an 80 percent consumer acceptance in the black market."

Vianello says it would make sense to rename the middle-to-upper-market stores Hyperamas.

To meet the lower-income market, the OK would have to speed up its plans to move into the townships and into fringe shopping centres, he says.

Ideally, the OK will need to be recapitalised and, given that there is unlikely to be much enthusiasm from minorities for a rights issue, its delisting by parent SA Breweries must be an option.

SAB, however, is unlikely to commit itself until it is happy with Serebro's strategic plan.

The results of Metro Cash 'n Carry and Checkers improved dramatically in a matter of months, but there are several reasons to suppose that the turnaround of the OK will take longer.

Metro and Checkers are exclusively cash businesses, and could start afresh after appropriate stock write-offs.

But the OK has to fund a sizable HP debtors' book and has a far wider merchandise mix.

And there are powerful vested interests within the OK which would resist a rationalisation of merchandise.

Says one former OK director: "The group will have to consider dropping whole categories, or only keeping certain departments in a few selected stores.

"But there are political pressures. For example, if cutlery is no longer supplied in all stores, it diminishes the power of the cutlery buyer significantly."

Moloi slams reports about planned boycott

■ **Pamphlet was distributed in one street only;** ~~310~~ 30

Sowetan 8/12/92

By Thami Mazwai

SOWETO businessman Mr Godfrey "Louis Luyt" Moloi yesterday slammed reports in *Sowetan* that Mapetla residents have been urged to resume a boycott of his businesses.

He said a "pamphlet" calling for a boycott of his businesses was issued by nameless people and residents had ignored it.

"It was distributed a week ago and only in one street," he said.

"My businesses have not been affected and I am operating normally," he continued.

He added that preparations for the annual party for the elderly he sponsors were in full swing.

He also objected to continuing negative reports that, "only created conflict in the community and ignored the good being done."

STAR 8/12/92

Huge discrepancy in price of loaves

Staff Reporter 30

While many supermarkets are selling bread for up to 15c below the recommended price, many cafes and smaller shops are selling it for up to 30c more, according to the Consumer Council.

The council's executive director Jan Cronje said in a statement on Friday that although the recommended price for an 800 g loaf of white bread was R1,75, many cafes were selling it for up to R2. While the recommended price for brown bread was R1,50, cafes were selling it for as much as R1,80.

Cronje appealed to retailers to clearly mark the price of bread on the shelves where it was displayed, to enable customers to decide whether the price was acceptable before they reached the checkout counter.

Consumer Council senior manager Ina Wilken said supermarkets were selling white bread for R1,60 and brown for R1,36.

Shopping centres in tune with demand

B/DAY 9/12/92

(30)

PETER GALLI

MAJOR retailers are confident they are not over-exposing themselves by continuing to invest in shopping centres, particularly in the north of Johannesburg. They say market research shows there is still a demand for such facilities.

Edgars group property development manager Mike Lewin said any decision was based on whether the business generated by the new store was sufficient to justify its establishment.

"We will not embark on a new store if it is merely going to take shoppers away from existing stores. Every store requires a substantial financial commitment to fit out the store, as well as to stock and staff it," he said.

OK Bazaars MD-elect Mervyn Serebro said a considerable amount of market research was completed before a decision was made to invest in new space. The Fourways Mall had good growth potential and the major chains were committed to the centre.

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Northgate was also not a threat as it was situated some distance from both Sandton City and Fourways Mall, he said.

"It would be very short-sighted for any of the majors to take new space that could possibly affect their present stores.

"Our expansion hinges on several factors. These include the market need, economic climate and the general climate within SA. We have confidence in the future of the country and our business will grow as necessary," he said.

The fact that three major shopping centres were located in relatively close proximity — Sandton City, Fourways Mall and Northgate — did not make the majors feel uncomfortable, he said.

The reason for this was that people wanted to travel shorter distances and spend less time shopping. This allowed the industry to sustain three centres so close to one another, he said.

Interleisure MD Mike Egan said each centre and its location was thoroughly considered before any cinemas were built. However, he did not feel there had been over-development in the area north of Johannesburg.

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"Constructing any new shopping centres north of Rosebank in the next few years would be foolhardy, but it will probably happen five years from now," Eagan said.

Fourways Mall, which opens in March, is 96% pre-let. The 19 000m² second phase of Northgate is 75% pre-let, with all major tenants in place including Ackermans, Dion, Clicks, Boardmans and Ster Kinekor.

Score is ready to delist after buyout

B|DAY 9/12/92 (30)

MARCIA KLEIN

PREMIER Group subsidiary Score Supermarkets, which improved earnings to 1,9c a share in the 27 weeks to end-October from a loss in the previous year, has announced a management buyout which will result in it delisting from the JSE.

Score announced yesterday that agreement had been reached between Premier and a consortium made up of Score's executive management, in which the consortium would acquire control of the firm.

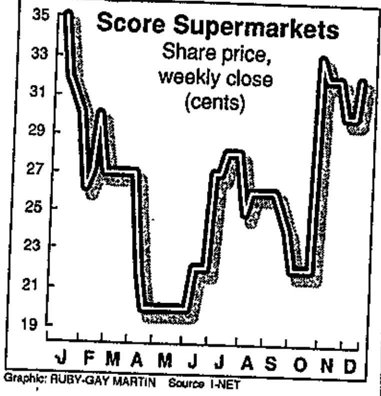
Score was formed through the merger of the retail interests of Metro Cash & Carry and Score Foods after Premier Group acquired Metro. Score reported an operating loss of R14m in financial 1991.

Results to end-October cannot be compared with those of previous periods as 1991 results reflect the first trading period of the group since its inception in June 1991, and a change in Score's year-end.

Turnover in the 18 weeks to end-October was R307,4m from R201,1m in the same period a year earlier. Operating income was R3,8m (R2,2m). After recapitalisation the interest bill was reduced to R1m from R4,1m in the prior year and R5,6m at end-April. Score used R55m of the proceeds of Metro's R142m rights offer to reduce borrowings. After-tax income was R1,8m against a loss of R2,8m in October 1991.

Attributable income was R1,4m against a loss of R3,1m a year earlier and income of R877 000 at end-April. No interim dividend was declared in view of the proposed buyout.

Directors said turnover reflected modest growth.



Graphic: RUBY-GAY MARTIN Source I-NET

Franchising 'set to take off in SA'

SOWETAN 9/12/92
9/12/92

(30) (150) (159)

THEO RAWANA

THE Black Integrated Commercial Support Network intends binding big and small business in 250 marriages that will see black-owned enterprises flourishing in the next five years, says CE Leyland Hazzlewood.

The network is a USAid-funded, five-year project established to lift black businesses into the mainstream of the economy.

It organised a two-day international franchise conference which started in Johannesburg yesterday. The co-organiser is the International Franchise Association (IFA), whose president, Willian Cherkasky, is former executive director of the US Senate's select committee on small business.

Hazzlewood told the conference that during the five-year period it had been granted, the network aimed to train 500 new entrepreneurs and undertake "a range of additional activities that strengthen the role of black business people in the SA economy".

He said the network was "not a social responsibility programme. Its aim is to make an impact on economic development by targeting growth-orientated enterprises and helping them grow as fast as they can.

"We have targeted franchising as one of our business development strategies because of its potential to transfer sound business systems and approaches to SA's new entrepreneurs who have the challenge of creating the bulk of new jobs needed in the country."

"Franchising has been called the single most successful marketing concept. In the US a new business opens every 17 minutes. It is the success story of the 1990s and is poised for takeoff in SA."

STAR 9/12/92

Score will lose listing

(310)

By Sven Lünsche

A management consortium has bought control of Score Supermarkets which will result in the delisting of Score from the JSE.

As part of the buyout shareholders will receive 29,49c a share and Score will sell Score Retail Holdings and Fairways Supermarkets to the consortium for R22,3 million.

Score was formed after the Premier Group acquired Metro Cash and Carry (Metcash) and included the retail interest of Score Foods and Metcash.

Premier will retain a 10 percent interests in the consortium, which includes Absa Merchant Bank and DMB Holdings.

Score will have a net asset value of 29,49c a share.

For the 27 weeks to end-October Score Supermarkets reports attributable earnings of R1,4 million, compared with a loss of R3,1 million in the 18 weeks to end-October 1991.

Turnover rose to R307,4 million from R201,1 million and operating profits to R3,8 million (R2,2 million).

Score's previous holding companies, Score-Clicks and its pyramid Hi-Score, also report strong results before their incorporation into the Premier group.

Score-Clicks lifted earnings per share to 6,6c in the six months to end-October this year from 3,4c in the eight months to end-October 1991, while the interim dividend is up to 4c (3,5c).

Hi-Score's earnings were up to 18,4c (11,1c) and the dividend to 7c (6c).

New car sales go into reverse

STAR 9/12/92

By Sven Lünsche (30)

New car sales reversed their October upward trend when they fell in November by 8,1 percent.

The National Association of Automobile Manufacturers (Naamsa) reported yesterday that sales fell to 15 644 units in November from 17 035 in October.

They did, however, show an improvement on the 14 200 units sold in November 1991.

Sales of light commercial vehicle sales were also sharply lower at 7 934 units from 8 597 in October.

The total volume of new vehicles sold, including medium, light and heavy commercial vehicles and cars, was down 7,8 percent to 24 362 (October: 26 427).

However, November 1992 figures still showed a marked improvement on the 22 974 new vehicles sold in the same month last year.

From January to November this year a total of 263 952 new vehicles were sold, compared with 286 664 in the corresponding period last year — a reduction of 7,9 percent.

Commenting on the fall in car sales, the MD of Nissan SA Marketing, Stephanus Loubser said yesterday: "Although November is traditionally a good month, there is some uncertainty in the market this year, hence the drop in sales.

In store

"This lack of consumer confidence has led to companies stopping their purchasing of new vehicles early this year to see what the new year has in store in terms of the economy.

"We expect new passenger car sales to top 182 000 this year.

"Next year should be marginally better and the industry expects new car sales to be 190 000," Loubser said.

Other analysts felt, however, that the year-on-year comparison provided some reason for optimism as it pointed to higher Christmas sales.

The lauch of a number of new models had contributed to this improved trend, they said.

Car sales decline 'bottoming out'

(30)

B/DAY 9/12/92

EDWARD WEST

NOVEMBER'S new car sales fell 8,2% to 15 644 from 17 035 sold in October, according to National Association of Automobile Manufacturer's of SA (Naamsa) statistics released yesterday.

However, the year-on-year monthly improvement in vehicle sales for the second month in succession suggested the market was bottoming out, Naamsa said. November vehicle sales improved 6% to 24 362 from 22 974 sold in November 1991.

Car sales reflected a similar trend, and were 10,2% higher than the 14 200 sold in the same month last year. Light commercial vehicle sales of 7 934 fell 7,7% compared with October's 8 597, but climbed a marginal 1% over November 1991's 7 854.

Sales in the low-volume, medium commercial truck (MCV) market recorded a 3% monthly drop to 289, and sales of heavy trucks (HCV) fell 4% to 495 against October's figures.

Compared with November last year, MCV and HCV sales fell 18,1% and 12,7% respectively.

Naamsa forecast continuing difficult trading conditions.

□ Toyota SA marketing director Brand Pretorius said the improvement in sales during the past two months over the comparative 1991 period was the first indication of a sustained improvement in sales. Consequently the outlook for December and the next year was more positive.

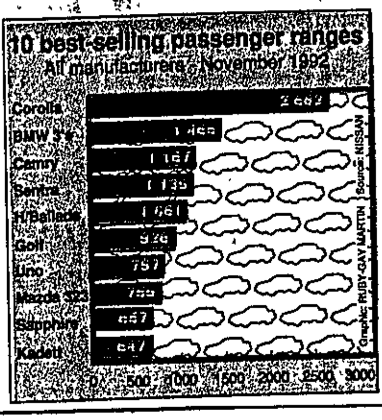
The revival was underpinned by demand from the corporate sector, where fleet replacement had become unavoidable. New models also stimulated sales.

BMW SA marketing director Tony Kirton said although the market appeared to have bottomed out, it was still a long way from recovery. Sales this year were unlikely to match those of 1991. Nissan, Toyota and Mercedes-Benz SA had forecast 182 000 car sales this year, compared with 197 736 sold in 1991.

Toyota SA was market leader in November with a total share of 30,1%, followed by Nissan with 17,6% and Samcor with 15,5%. Toyota's new model, the Camry, made its debut on the SA market in mid-November, and became the third best selling vehicle last month with 1 167 sales.

Increased production gained BMW SA a 12,4% market share, which it claimed was the highest recorded in any BMW market in the world.

Low interest rate schemes boosted MBSA's sales, and after selling an average of 560 Mercedes-Benz's a month since June, November saw sales climb to 621.



Shopping centres in tune with demand

BIDAY 9/12/92

(30)

PETER GALLI

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Long list of objections extends hotel hearing

PETER GALLI

THE controversy surrounding the proposed Grace Hotel adjacent to The Mall shopping centre in Rosebank continued as the Town Planning Tribunal began to hear both the council's application and the numerous objections last week.

However, the matter was not resolved as the list of objectors was so long the proceedings could not be finalised in the day allocated. The matter has been postponed to next year.

The Johannesburg City Council has applied to rezone erf 46. If it succeeds, the council will be able to sell the site, a 2 146m² narrow strip of land near the corner of Tyrwhitt and Cradock avenues, to the owners of The Mall for the construction of a 10-storey hotel.

BIDAY 9/12/92

Rosmarin & Associates director John Rosmarin, representing the council as applicant, said it had been decided to reduce the height of the proposed hotel from 44m above ground level to 34,5m, and to drop the floor area to 11 000m² from 14 000m².

The proposed hotel did not contravene any height restrictions or create a precedent for the area, while traffic and parking in the area would hardly be affected, he said.

Irma Hugo of City Planning supported the call for rezoning, saying there was a need for a five-star hotel in the Rosebank area. The proposed development complemented The Mall shopping centre.

However, more than 1 000 objections were lodged by residents and other concerned parties.

Opposition has been co-ordinated by the Rosebank Action Group (RAG), which says the development will contravene the council's own bulk guidelines, affecting traffic, parking and service requirements.

"This move will also pave the way for other similar developments, which will turn Rosebank into another Braamfontein or Hillbrow. We have also launched an inquiry into land dealings and rezonings," RAG co-chairman Julian Lap said.

He said the group recently met officials to discuss issues including the sale of prime land to developers at less than R70/m² when the municipal valuation was more than R955/m²; the apparent circumvention of parking requirements; and how an area supposedly subject to a height restriction of three to four storeys was now subject to developments of 10 storeys and more.

— assume that the proceeds of 29,49 cents per share are re-invested at the average earnings and dividend yields of the JSE Industrial – "Retailers and Wholesalers" Index of 5,4% and 3,3%

OPERTY

Centres to tap black commuter market

B/DAY 9/12/92 (30)

ANDREW KRUMM

A CONSORTIUM led by E G Chapman Developments is spending about R55m on two retail centres sited at key Pretoria and Hammanskraal transport nodes, to tap the black commuter market.

E G Chapman Developments MD Greg Swemmer said the consortium had already spent R25m buying and refurbishing an 8 000m² retail centre, which was redesigned to cater for black commuters — a first for Pretoria.

About R30m would be spent on a new shopping centre of similar size and focus, adjacent to the central taxi and bus depot in Hammanskraal. Construction would start in January, Swemmer said.

"The refurbished Centre Forum in Pretoria is strategically positioned in a dense retail catchment area between the CBD and the city's main taxi facility," he said.

Apart from a flow of 15 000 pedestrians passing the centre daily, prospective customers would also be using the shopping centre's own taxi facility.

The tenant mix included fast food shops, fashion stores, furniture outlets and a large Spar supermarket as anchor.

"We have monitored our tenants' daily turnover since the Centre Forum opened two weeks ago . . . and turnover is outperforming expectations," said Swemmer.

Centre Forum was more than 90% let, with half of the small 600m² office component vacant, and about 400m² of retail space unlet.

"We have noticed a big demand for small retail outlets and will convert the vacant retail space into small shops, something like a mini Oriental Plaza."

Swemmer said the Hammanskraal site had a larger catchment area than Centre Forum, and national chains had shown interest in the development, which was now 80% let.

"About 35 000 people are bussed into Hammanskraal from surrounding areas each morning. They then board minibus taxis for Pretoria. The opposite occurs in the evenings," he said.

NEWS FOCUS

Mixed reaction to 'Chinatowns'

BDAY 10/12/92

(30)

KATHRYN STRACHAN

PLANS to develop a series of Chinese "villages" in the PWV region have encountered criticism and suspicion, but local authorities say the projects are aimed at initiating commercial ventures and attracting foreign capital.

The Johannesburg City Council last month granted permission for Hong Kong consortium Standard Authorised to buy the entire township of Liefde en Vrede, south of the city, for R30,8m. The development includes a multimillion-rand shopping and business centre as well as residential sites, and is expected to be completed within a year.

The council decision was taken amid heated debate over a clause — requested by the buyer — stipulating that "not less than 60% of the residential erven shall be sold by the purchaser to Chinese people who have immigrated to SA from Hong Kong in the last two years or would do so in future".

The clause amounted to an "exclusive ghetto" reminiscent of the days of the Group Areas Act, DP and CP councillors said.

The project is one of four this year aimed at attracting wealthy immigrants to the PWV as a means of stimulating the economy and providing refuge from communist governments.

Standard Authorised is also set to buy more than 100 ha of the Pretoria suburb, Moreleta Park. Building is expected to begin in July and the development should be completed within two years.

The consortium plans to take representatives from the Johannesburg and Pretoria city councils to Hong Kong in February to market the townships.

A marketing strategy, including television advertising and live television interviews with city council officials, is planned for Hong Kong.

Standard Authorised director Rico Li said that as the viability of SA became known among immigrants in the Far East, another five or 10 developments could follow.

Li said his company would sell stands in both Liefde en Vrede and Moreleta Park to immigrants fleeing the mainland China communist take-over of Hong Kong in 1997.

A similar project is planned for the platteland village of Bronkhorstspruit where the town council is planning to "import" 900 Taiwanese families.

In Verwoerdburg a 30ha section of land adjacent to the Irene Dairy has been bought by a Hong Kong syndicate called Legarleon Realties to settle about 500 families.

Although instability in SA has frightened off many foreign investors, Transvaal Chinese Association chairman Eric Yenson said one of the factors attracting the new immigrants was that it was easier to get into SA than it was to migrate to Canada, Australia or the US.

The immigrants were also lured by investment opportunities in SA, said Yenson.

"Maybe they think they can take a chance and see what happens."

Johannesburg Council director of commerce and industry Collin Wright said the aim was not to create an exclusive Chinese area at Liefde en Vrede, but to boost commercial and industrial ventures and to attract foreign capital to Johannesburg.

The Far East had a concentration of skills and expertise, which would serve as a job creator if it were drawn into Johanesburg, he said.

"They are not people who come looking for jobs in the civil service. They are basically entrepreneurs who will start up ventures and create work in this environment," said Wright.

With the current depressed property market, Wright said it would take about five years for the area to be absorbed if it were aimed at locals, so the city council agreed to market the land to foreigners.

But the projects have been viewed with suspicion in certain quarters, such as the Civics Association of the Southern Transvaal, which saw them as reinforcing effective white control of particular areas.

ANC spokesman on local and regional government affairs Mathole Motshekga said his organisation intended calling an urgent meeting with the developers to bring a halt to plans until proper consultation had taken place.

Subsidiaries boost Premier's earnings

(30)

BDAY 10/12/92.

MARCIA KLEIN

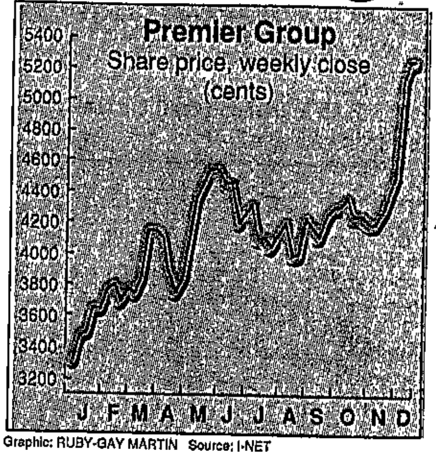
PREMIER Group increased its attributable earnings 23% to R89,5m (R72,8m) in the six months to end-October on the back of a significant drop in its interest bill and good results from some of its major subsidiaries.

The group's earnings rose 14% to 113c (99c) a share on an increased number of shares in issue. It declared a 13% higher interim dividend of 36c (32c) a share. Interim results for the previous year, which covered seven months, were restated to facilitate comparison.

Premier's 21% higher turnover of R5,4bn was not strictly comparable with the previous year's R4,5bn as results of Metro Cash & Carry (Metcash), which was incorporated last year, included only four months of trading.

Trading profit increased 9% to R212,7m from R194,6m.

Premier chairman and CE Peter Wrighton said the group continued to benefit from the reduction in interest rates and



Graphic: RUBY-GAY MARTIN Source: I-NET

interest-bearing debt. The group's interest bill was reduced by 55% to R17,7m from R39,4m, resulting in a 26% rise in pre-tax profit to R195m (R155,2m).

Profit after tax was 29% higher at R127,1m (R98,1m), and after minorities

☐ To Page 2

Premier

BDAY 10/12/92 (30)

☐ From Page 1

and preference dividends, attributable earnings were 23% up.

Wrighton said Premier's performance was "most pleasing" even through trading was exceedingly difficult. Most divisions had performed well, but certain sectors were affected by poor trading conditions and reduced consumer spending.

He said Premier Food had turned in a satisfactory performance, and Metcash had produced excellent results and "surpassed expectations".

Premier Pharmaceuticals increased earnings on the back of reductions in costs and good asset management, and Clicks' results were satisfactory.

CNA Gallo, which showed a slight reduction in profits, had been affected by reduced consumer spending. Gresham Industries and PDC Holdings had reported poor results. Wrighton said that despite a dispute with the Krok brothers, Premier would proceed to combine the pharmaceutical distribution operations of the two companies.

With effect from April 30, Premier had disposed of its controlling investment in Score Supermarkets to a management consortium for about R15m, retaining a 10% interest in the consortium. Score's results were not included in the interim figures.

Wrighton said sales in November had been poor, and economists were predicting a 2,5% drop in Christmas retail sales in real terms.

Profits for the full year would depend on a recovery in consumer spending and on reasonable trading during the Christmas and Easter periods. It would be unrealistic to expect profits in the second half to improve at the same rate as in the first.

Food inflation was expected to come down to 15% during the next few months, "with an eventual target of not more than 10% in the foreseeable future". It would be difficult for food companies to produce the same profit increases as in the past in this deflationary climate, which put margins under considerable pressure.

Premier turns in solid performance

STAR 10/12/92

By Stephen Cranston (30)

The Premier group increased earnings per share by 14 percent to 113c in the six months to October, compared with the first half of last year.

An interim dividend of 36c has been declared — a rise of 13 percent.

Attributable earnings increased by 23 percent to R89,5 million.

Turnover increased by 21 percent to R5,42 billion, but operating income increased by just nine percent to R212,7 million.

Chairman Peter Wrighton says margins were down in most divisions.

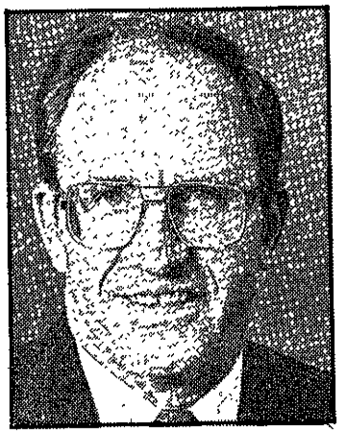
The bakery division was affected by violence, with some parts of the country being turned into no-go areas.

Oils and fats were hit by the drought. Defatted germ meal produced from the maize currently being imported from the US does not meet European Community standards and has to be sold locally, rather than exported.

Highest turnover growth came from Metro and Clicks, which operate on lower margins than the food and pharmaceutical businesses.

Metro now accounts for 49 percent of group turnover and for 15 percent of operating profit.

Interest paid halved from R39,4 million to R17,7 million, thanks to tighter asset management, the proceeds of the rights issue to fund the Metro acquisition, and the cash generated by Metro.



Peter Wrighton . . . pleasing results

Gearing fell from 47 percent to 18 percent.

Results of Score Supermarkets have not been included because Premier disposed of its controlling investment in May for R15 million.

But the group has retained a 10 percent interest in the ownership consortium controlled by Score's executive management.

The transaction will have no material effect on Premier's earnings.

Wrighton says the results are pleasing and that Premier has kept its earnings growth two or three points ahead of its competitors — its growth of 14 percent compares with 11 percent for Tiger Oats.

But he says trading since year-end has been tough and that prospects for Christmas and Easter trading, both vital for Premier, are not bright.

Economists are predicting Christmas retail sales will drop 2,5 percent in real terms. Wrighton says it would be unrealistic to expect profits to improve in the second half at the same rate as the first.

Turning to divisional performances, he says Premier Food performed satisfactorily and that Metro surpassed expectations.

Premier Pharmaceuticals did not achieve real growth in turnover as it is rationalising its product range, but a reduction in costs and good asset management resulted in a creditable increase in earnings.

The results of Gresham Industries and PDC Holdings, which could soon be taken over by Prempharm, were poor because of trading conditions and persistent pressure on margins.

Premier remains in dispute with the Krok brothers over the proposed takeover, but is proceeding with its offer of R10 a share to Prempharm minorities.

Wrighton says the deal will bring about rationalisation and cohesion to the benefit of the respective operations.

Of Premier's retail interests, Click Stores performed well, despite an aggressive new store opening programme and the absorption of the Musica chain, which had been making losses.

CNA Gallo was affected by reduced discretionary spending and showed slightly lower profits.

Less work for officials

Sowetan 10/12/92 (30)

MORE EFFICIENT First meeting last week allocated duties to all members:

THE GREATER SOWETO CHAMBER of Commerce and Industry is to decentralise its decision making body to lessen the workload on the executive committee.

"We feel that this gesture will make the executive committee much more efficient with all its members having a specific task to fulfil," said the GSCCI's new president, Sam Noge.

After its first meeting last week, the organisation's new nine person executive divided itself into three sub-committees to implement next year's programme of action.

The first sub-committee will look into management issues, the second has been charged with strengthening the chamber's projects while the third will be in charge of public relations.

Vice-president Wilfred Mokoape heads the management sub-committee.

Promote image of chamber

General secretary John Ngwenya will lead the projects committee with committee member, Makana Tshabalala spearheading the public relations section.

"The projects sub-committee will be consulting with the membership on the ground to establish suitable programmes to meet their needs while the public relations has to promote image of the chamber and liaise with our sponsors," said Noge.

"The management committee will look into the functions of the executive as well chamber's staff needs."

A additional office to is to be opened early next year to cater for members' interests.

Noge said the "incubation" office was being established with the financial assistance of retail giant, Metro.

Metro would also sponsor 12 seminars for members to be held in 1993.

The main objective of the seminars was to train the organisation's members in strategic planning and competitiveness, he said.

Retail sales for September drop 4%

BDAY 11/12/92.

(30)

MARCIA KLEIN

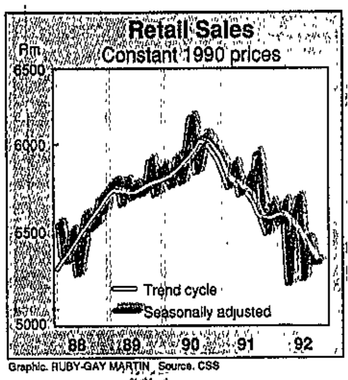
RETAIL sales dropped 4% in real terms in September compared with the previous year, Central Statistical Service (CSS) figures show.

The figures, released yesterday, indicated a recovery from August, when sales plunged 10,2% in real terms.

The figures showed September's sales of R7,1bn were 0,4% higher than expected by 100 major retailers in the second week of September, pointing to a slight upturn in the second half of the month.

Retailers which showed the largest decreases in sales were butchers (a drop of 17,2%), book stores and stationers (14,7%) and grocers and other dealers in foodstuffs (13,3%).

Although sales showed an improvement over August, analysts said the fact that they were still down in real terms did not bode well for the rest of the year and for the peak Christmas period.



Graphic: RUBY-GAY MARTIN, Source: CSS

However, October's figures would be measured off similar weak trading conditions in the previous year, when sales had started to slow markedly on the back of a sharp decline in consumer spending exacerbated by the introduction of VAT.

A recent report by Irish & Menell Rosenberg said preliminary sales statistics for October, in which sales were expected to drop 1,7% in real terms, indicated "that the rate of growth ~~in economic~~ activity may have hit its nadir in August".

The report said activity had slumped in June, when retail sales showed a real decline of 10,1%. The deterioration slowed in July, but the stayaway in the first week of August resulted in the economy coming to a virtual standstill. September and October figures continued to reflect the trend established in July.

Sacob recently announced that retailers were expecting a gloomy Christmas, saying that sales over the period were likely to decline 2,6% in real terms compared with the previous year.

The Afrikaanse Handelsinstituut said a survey of its members showed most were experiencing a real decline in sales compared with the same period last year. This was disconcerting as the 1991 Christmas period had been poor.

It said chain stores were keeping turnover at last year's levels but cutting profit margins.

Traders in Khayelitsha 'fear for their safety'

(30)

ARG 11/12/92

EDWARD MOLOINYANE
Staff Reporter

FIFTEEN Indian traders, who said they feared for their safety, did not turn up for a meeting with Khayelitsha Business Association (Khaba), which wants them to leave the township.

Khaba chairman Mr Victor Mbauli told about 60 members of the organisation gathered at the Site C hall yesterday that the Indians said they had been given too little notice.

They said the meeting should be postponed until Monday, when they would ensure police presence because they feared for their safety, said Mr Mbauli.

An Indian businessman said the Khaba invitation to the meeting was delivered about noon yesterday. The meeting was scheduled for 4pm.

"It simply didn't make sense," he said.

According to the Khaba invitation, the agenda included "background to Khaba's problem with outside traders, Press reports and solutions".

The row between the two groups started last month when Khaba called for the removal of the Indians, accusing them of undercutting them.

Khaba and the Indians have blamed the media for "blowing the dispute out of proportion".

The Indians, who trade at the Tembani centre, were given an ultimatum to leave by November 30 or face "harsh action". They rejected the call as "racist and backward".

Entrepreneurs get promise of assistance

STAR 11/12/92

30

Finance Staff

A fund to help finance new business ventures would be set up for black entrepreneurs as soon as political stability had come to South Africa, an international conference on franchising heard yesterday.

The two-day conference in Johannesburg was jointly organised by the International Franchise Association and a US aid project, Black Integrated Commercial Support Network (BICSN).

Leyland Hazelwood, chief executive of BICSN, told delegates: "It is clear that one on the biggest obstacles to black entrepreneurs in particular is that of finance.

Equity fund

"BICSN is committed to setting up an equity capital fund of significant size to assist entrepreneurs, and we have investors waiting to put money into it.

"The fund will be put in place as soon as political stability comes to the country. It could be of major assistance to franchisees."

The conference was also told that the Agency for International Development was investigating setting up a loan guarantee fund with banks in South Africa to help make venture capital available for black entrepreneurs.

Chairman of the South African Franchising Association, Eric Parker welcomed the BICSN equity capital fund and the loan guarantee fund as a potentially major boost for franchising.

DURBAN FM 11/12/92 (30)

Signs of bottoming out

There is growing evidence that the industrial, commercial and retail property markets around Durban may have bottomed out. But taking on a larger commitment at this stage is probably only for the bold — it may be premature to expect dramatic gains.

J H Isaacs (Durban), one of the area's leading brokerages and property management companies, has taken a mildly bullish view of the market. In a just-published analytical property survey, it concludes that

continue →

property buoyancy is a function of economic prosperity. That in turn hinges on business confidence — something which has been lacking for some time.

However, JHI believes this could change thanks to falling interest rates and the renowned resilience of SA business. Hence it offers guarded encouragement to take advantage of the buyers' and tenants' market.

Though JHI may sound as if it is talking to its book, the advice might not be far-fetched. Its views are endorsed by Old Mutual chief economist David Mohr — one of the first to predict no economic revival this year. Last week, he forecast a brighter 1993 with lower inflation and declining interest rates. Business could, he said, look forward to a better year, benefiting from good rains, the lifting of sanctions and the gradual upswing in the already improving US economy.

This also reinforces the views of property economists Erwin Rode and Neville Berkowitz who say Durban's commercial and industrial markets could be among the first to recover (*Property* November 6).

Weighed against this must be continuing violence and political uncertainty. They could postpone an upturn indefinitely. JHI director Guy Lavine says business confidence is at its lowest ebb since 1986. But there is, he says, a steady level of interest in well-located land and premises for purchase and lease.

Even so, availability of leased premises has risen 20% in the Durban core and surrounding areas. Actual recently achieved rentals range from R5/m² for a 3 500 m² open-sided warehouse at Congella to R12/m² for 1 200 m² at Springfield Park. The average seems to have been in the small (up to 600 m²) range with rentals in the R8/m² to R10/m² bracket.

Nevertheless, demand is keen for all types of well-tenanted investment properties in the R500 000 to R1m range. Interest in blocks of flats has also risen sharply though stocks have been substantially depleted by the success of shareblock sales, which were pioneered in Durban. ■

CLICKS FM 11/12/92

Upbeat results

(30)

Results for the six months to October were weakened by the loss-making Musica retail music chain. Apart from Musica, operating income recorded real growth.

Financial director Peter Green says results were "drastically" affected by Musica, acquired during the period. Losses have now been staunched and the subsidiary produced its first profits in October. He expects the profit flow to continue, following re-stocking and a heavy promotional programme.

Clicks stores continued to trade well in spite of the tough economy. Five new stores were opened. Green says results show continued expansion of market share. Clicks provides solid earnings and cash flow growth.

But, he says, Diskom's exciting results indicate this chain has reached a "grown up" phase and is contributing materially to earnings. To an extent, its success has been de-

FM 11/12/92 (30)

rived from capturing consumers forced by economic circumstances to trade down. Fifteen new Diskom stores were opened.

Net interest received amounted to R2,4m (1991: R506 000 outflow) as a result of investing some of proceeds of the April R52m rights issue, as well as retiring short-term debt. This facilitated a jump in pre-tax profit of 34,5% but a rise in the tax rate confined attributable income growth to 23%.

The balance sheet remains strong, with no long-term debt. Net current assets of R84,5m are R48,1m up on a year ago and have risen to 60% (45%) of capital employed. The rights issue is the main reason.

The second half is expected to be well ahead of the first. Not only is Christmas included but Musica's losses will turn into a top-line contribution. Annual EPS should again manage real growth, provided trading is not disrupted by political or economic circumstances beyond Clicks's control.

The share reached a record R28 in June, fell back to R23 in August and has since recovered to R26. It remains one of the most attractive industrial stocks and should be accumulated on weakness. *Gerald Hirshon*

MUSICA PLAYS ON

Six months to Oct 31	1991*	1992
Turnover (Rm)	324,4	426,4
Pre-int earnings (Rm)	18,0	20,5
Pre-tax profit (Rm)	15,6	21,0
Attributable (Rm)	8,3	10,3
Earnings (c)	41,5	45,4
Dividends (c)	—	19,0

* Proforma.

FRANCHISING (30)

FM 11/12/92

Importing US chains

Not long ago a US-sponsored business conference in SA would have been out of the question. But not an eyebrow was raised as more than a dozen US franchisors marketed their companies to would-be entrepreneurs this week at a conference underwritten by the US government.

"The economic actors cannot stand by and wait," for the political process to unfold, US ambassador Princetón Lyman told the 200-plus delegates at Johannesburg's Carlton Hotel for Africa's first international conference on franchising. It was co-sponsored by Webber Wentzel, Deloitte & Touche, Ned-Enterprise and the *FM*.

The event was organised by the Washington-based International Franchise Association — an umbrella group for the 355 American franchisors with 35 000 outlets in 60 countries — in conjunction with the Black Integrated Commercial Support Network. The network, which was established in June and is based in Randburg, is funded by the US Agency for International Development.

"Over the expected five-year life of this project, we seek to put together 250 business deals that will see black-owned enterprises flourishing in the mainstream economy, train 500 new entrepreneurs and undertake a range of additional activities that strengthen the role of black business people," says network CE Leyland Hazelwood.

The network has targeted franchising as an important vehicle to spur economic empowerment. "Internationally, franchising is the success story of the Nineties and we believe it is poised to take off in SA," Hazelwood says.

Franchising in SA has a long way to go to

FM 11/12/92 (30)

catch up with the US, where more than one-third of all retail sales are through franchise operations. Here, that figure is estimated to be just 6%.

International Franchise Association president Bill Cherkasky predicts rapid growth in the market. "There's a sophisticated population, a lot of money and a lot of pent-up demand." He adds that he can "predict with certainty" that the big-name American retail franchises, such as McDonald's, will begin setting up shop in SA as soon as an interim government is in place.

Cherkasky says the franchisors are here to do business whether the money comes from blacks or whites, though finding black franchisees would be nice. The American government, he adds, subsidised the R990 fee for the two-day event for some black delegates.

He adds that the participating franchisors are what he would call emerging businesses. It might cost US$300 000 to buy a McDonald's franchise but only about $2 000 to establish a Jani-King janitorial service. Other participants included:

☐ Mail Boxes Etc. — founded in 1980 in California, the listed company has 1 800 centres around the world that provide postal, business and communications services;

☐ Futurekids, Inc. — a private company based in Los Angeles, now the world's largest chain of children's computer schools, providing instruction in 1 000 locations in the US, Canada, Japan, Australia and Indonesia;

☐ Citizens Against Crime — based in Texas, the company gives seminars on crime prevention and sells products such as tear gas, reflectors for disabled cars and warning stickers; and

☐ Kwik-Kopy — a copying and duplicating service based in Houston, which already has 13 outlets in SA.

The conference was the first major event for the Black Integrated Commercial Support Network, which has been operating "in a low-key way because we don't want to raise expectations," according to Hazelwood. He says the network's primary role is to assist in identifying, training and advising entrepreneurs, especially those with the fire-in-the-belly quality.

Fire is one thing but funding is another. The network is establishing an equity capital fund with money from private sources here and abroad. Hazelwood predicts that the fund may grow to R100m, though commitments right now are tentative. He says donors will remain uncommitted until there is an interim government and more stability.

"If they put in $1m, they want to make sure their money isn't blown away. More than enabling environment, SA needs an inviting environment. The feeling is that it is not yet inviting enough." ■

FM 11/12/92 (30)

METCASH FM 11/12/92

Where to next? (30)

Metro Cash & Carry (Metcash) is comfortable, having gone back to what it does best; cash-and-carry distribution to the retail market. The October interim confirms this, though year-on-year comparisons are difficult as the previous interim covered four months, following a change in year-end.

An improvement in pre-interest operating margin from 0,96% in October 1991 to 1,2% reflects cuts in overheads and shrinkage (theft). Finance director Dudley Rubin says shrinkage is well below 1% of turnover, which is below his estimate of the industry average of about 1,5%.

With Metro's high turnover the gearing effect of a small improvement in margins can be significant. For example, on turnover of R4,1bn (10 months to April 30 1992) a 0,5% increase in the operating margin of 1,1% would have added more than R20m, or nearly doubled, operating profit.

But can Metcash improve margins further, with shrinkage already low and staff reductions not being contemplated? The two-to-three-year capex programme to update management information systems, including scanning equipment, stock control and networking, should help.

And how sustainable is earnings growth once margin improvements have filtered through? The traditional market of C- and D-income groups is serviced by 178 cash-and-carry Metro/Trador stores and accounts for 80% of group turnover and more than 80% of earnings. Metro/Trador has about 30% of the cash-and-carry market, which Rubin believes is unlikely to grow significantly during the slump. This indicates limited room for expansion except by acquisition.

The Trade Centre/Stax chain contributes most of the rest of turnover and earnings and operates a slightly different formula. Trade Centre stores are three times the size and carry three to four times more product lines, including nonfood items. They cater for B/C/D income groups; with only five stores there is room for more, says Rubin.

The group is represented in Mozambique, Malawi, Portugal and Hong Kong but these are not material to results. (Metcash is also one of the largest exporters of food, groceries and household goods to sub-Saharan Africa.) Rubin believes joint ventures or partnerships in Europe and sub-Saharan Africa are possible within a year and Metro, with a net cash cushion of about R225m, is well placed to make these investments.

The share over the past year has soared from a low of 200c to the current 475c. Given that this has discounted much of the turnaround in fortunes it may be worth waiting to see where Metcash goes next, and how it manages its cash balances, before buying.

Louise Randell

STILL GOING STRONG

Six months to	Oct 31 '91*†	Apr 30 '92	Oct 31 '92†
Turnover (Rm)	1 727,4	2 347,4	2 652,4
Operating prof (Rm)	16,7	29,2	32,7
Attributable (Rm)	2,3	26,2	24,1
Earnings (c)	2,2	15,1	14,7
Dividends (c)	—	6,0	6,0

* Reflects 4 mnth trading period.
† Unaudited.

FM 11|12|92.

Cherry picking time

30

The effects of a deteriorating economy are clearly mirrored in the latest Actionable Regional Readership Research & Trends survey conducted by the Argus Group's Newspaper Marketing Bureau. For example, "cherry picking" (consumers hunting from

FM 11\12\92

shop to shop for the best bargains) has clearly become much more common.

30

The number of different stores visited every month by consumers in the Witwatersrand/Vaal area has risen steadily since the 1986 survey, from 1,41 then to 1,92 now. "When times are tough, people shop around more," says bureau chairman Noel Coburn.

Conducted primarily as an aid to selling the advantages of local newspapers, the survey provides detailed micro-marketing data on local shopping patterns, obtained through huge samples.

For the latest survey, 7 740 interviews were conducted in the Witwatersrand/Vaal area and 4 290 in Natal.

The result is that you can find out where people buy shoes and clothing in Sandton, because the sample size for that town alone is 400, or which stores in Rosebank and Killarney, Johannesburg, are preferred for durables. Information about the relative affluence of each area is also quantified.

There is data about trends relating to each retail chain and the results here are salutary. Asked, for example: "At which single store have you spent most of your money?" 30% of Witwatersrand/Vaal shoppers said Pick 'n Pay Hypermarkets and 22% said Checkers/Shoprite, both markedly up since 1989. Pick 'n Pay supermarkets were unchanged at 20% but OK Hyperamas were up from 10%

Where the big spenders are

	A+ income group (R9 000+pm)	C income group (R2 000-R3 999pm)
Sandton	52%	8%
Randburg	33%	11%
Roodepoort	20%	15%
Krugersdorp	8%	24%

to 15%.

The really bad news was for OK Bazaars, down from 7% to 4%, exactly matching the rise of Spar from 4% to 7%. However, while the survey is not racially based, it is conducted only among adults with telephones in the home and thus excludes most blacks.

For durables, the Hyperama remains the first choice, though purchases of durables have declined since 1989. Pick 'n Pay Hypermarkets have lost ground relative to the Hyperama, probably because they do not offer credit facilities, as has OK Bazaars.

Tony Koenderman

Meeting planned in township price war

South 12/12 – 16/12/92 (30)

By Sabata Ngcai

INDIAN traders and their African counterparts in Khayelitsha are to meet later this week to discuss the presence of the Indian traders in the township.

The meeting will decide the fate of the Indian traders who have been trading in Khayelitsha for the past two years.

Businessman Mr Victor Mbauli said the meeting was absolutely necessary "to iron out differences".

Mbauli said the plan for a meeting follows "false newspaper reports" that African businessmen had demanded that the Indian traders leave the area.

According to Mbauli, the Khayelitsha Business Association had not demanded the withdrawal of the traders. It was only certain members of the association who had done so.

"No-one has officially said they should leave or stay, but we are still going to discuss the matter in our meeting this week," he said.

The Indian businessmen, who are trading in the leased Thembani shopping complex, are accused of undercutting the prices of African businesses.

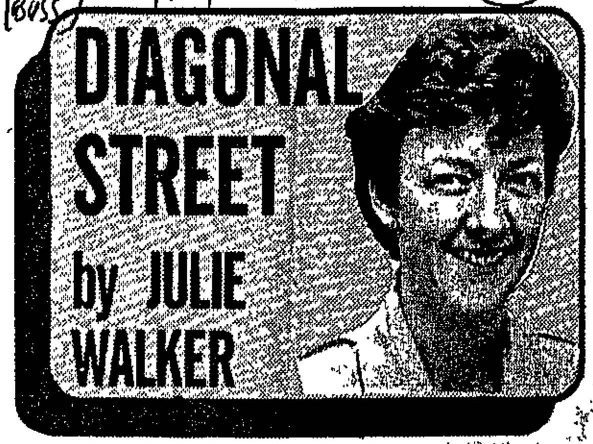
However most of the residents interviewed in the area were happy with the service provided by the Indian traders and most agreed that they should remain there.

Mrs Margaret Matini said: "The Indian shops are cheaper than the shops of the Africans. The Indian shops sell 12,5kg cake flour at R19,99 while the shops operated by the African people sell it for R26,00.

Khayelitsha resident Ms Nomandla Solomon said: "The Indian shops sell plenty of fresh food and vegetables."

Seeing the light leads to expansion

S/Times 13/12/92 (BUSS) (30)



IT WAS fortuitous that Eric Ellerine, furniture retailer par excellence, was seated at my table at the Business Times Top Companies Banquet two weeks ago.

For when guest speaker Derek Keys appealed to the business community to do something about the doubt trap plaguing confidence in the country's future, Mr Ellerine volunteered something positive to say.

Not unconditionally, of course. But the signs of recovery, the seeds of optimism, are growing steadily for the leading furniture retailing chain aimed at the black market.

"Everyone overreacts when things look tough and it becomes self-fulfilling," he says. "When nobody can see the light — as is happening now — things have a habit of turning for the better."

Pent-up demand is one possible reason for the increased flow of feet through Ellerines' 360-plus trading stores — 156 by that name as well as Town Talk, Royal, Oxford, Rheingold and Furn-City.

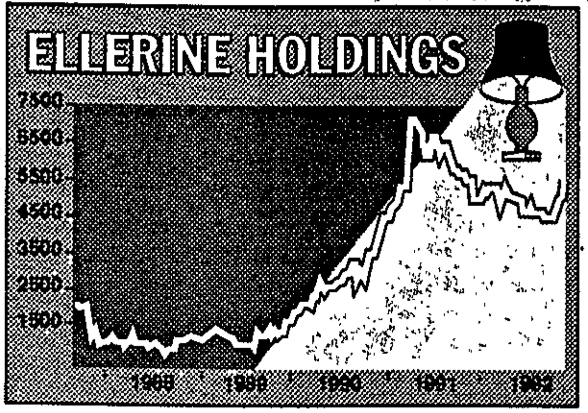
"We have opened seven new stores in the last month alone and are continuing with our expansion," says Mr Ellerine.

Talk in the furniture retailing trade is also of mild improvement. The disarray among some of his competitors might be good for his business, but it brings no satisfaction to Mr Ellerine.

His group has always adopted the full method of accounting for deferred tax and made plentiful provisions, whereas many other companies that operate a debtors' book have gone for the partial method, which flatters earnings.

"Deferred tax is only a disguise to dress up the balance sheet. A business must build from retained profits because you can't spend more than you earn. We believe that we are winning a bigger market share."

Mr Ellerine scotches the notion that black people are immune to high interest rates.



"Furniture prices have risen by only 8% in the past 12 months. Falling interest rates make the instalments more affordable, but you cannot charge what you like because the competition is great. Shoppers are more sophisticated and shop around for the best deal."

Ellerines has managed to keep borrowings down to a minimum. Asset control remains a priority and collections are satsifactory under the circumstances.

The group's recovery started in the second half of the financial year to August, when sales grew by 9% and earnings by 16%. This was on top of a poor first half, and earnings for the full financial year were down 9% on 1991.

Nonetheless, Ellerines earned more than R7 a share and the current share price is R57.

Mr Ellerine says Christmas sales are looking good and there appears to be an increase in consumer spending.

"The business is cyclical and I believe that we are coming to the start of an upswing. GDP growth of 2% plus next year, which although not good in general terms, would be a huge improvement on two years of negative growth. It would make a big difference to the economy."

A year ago, Mr Ellerine had a message for the masters of SA's economy: lower interest rates before the country collapsed. It took months before rates were lowered, and it is to be hoped that this year's message to the politicians will be heeded sooner.

"We need to get an interim government in as quickly as possible, and it must do something about joblessness and violence.

"We have come a long way in the group towards better understanding between management and the unions. I am a great believer in freedom of association, and communication on our part has improved enormously.

SLOW SEASONAL SALES PUT SQUEEZE ON STORES

AS HARD-HIT CONSUMERS SEEK VALUE FOR CASH

Stores bank on tourists to lift sales

S[Times [Cape metro] 13/12/92.

(30).

By FRED ROFFEY

WESTERN CAPE businesses are pinning their hopes on the large numbers of tourists, who are expected to pour into Cape Town from this weekend, to trigger off a Christmas sales spree.

Christmas sales have failed to take off. They have been held back by recession-hit consumers' concern about spiralling debts, the threat of retrenchments and rising prices.

Another reason for poor sales is that many Transvaal and other visitors are setting out for the Cape a week later than usual to cut costs.

Many, who in previous years have used much of their annual bonuses to pay for their holidays, have opted instead to use them to meet alarming increases in living expenses.

Although turnovers at the beginning of December were slow, by this weekend stores were feeling the beginning of a Christmas rush as Transvaal-registered cars began arriving in the city.

Also, national and international flights have begun emptying passengers at D F Malan Airport.

By the end of this week the tourist influx had grown to about 3 000 cars a day — and this figure is expected to swell to 5 000 a day from next week.

Hotel bookings are running as high as 90 percent and many hotels expect to put up house-full signs before Christmas.

Stores such as Clicks, CNA, OK Bazaars and Shoprite/Checkers say sales have picked up since early December, but spending on luxury items has been limited as consumers are looking for value for money.

A spurt in spending is expected just before Christmas, but although stores are planning promotions and extended shopping hours, few expect bumper sales.

Stalls in the Grand Parade are to remain open on Wednesday, the Day of the Vow, but the fleamarket in Greenmarket Square will be closed.

Excitement

Many traders at the two markets expected sales to be the same as last Christmas which, they said, were not particularly good.

At the Victoria and Alfred Waterfront, the new Victoria Wharf complex has had good sales since its opening in October.

"We expect a good Christmas because the complex offers excitement for all the family," said Margot Morrison of the V & A marketing department.

The Tyger Valley shopping centre in Bellville also reports good sales.

"It's a money-conscious Christmas, although sales have picked up and we expect this to continue," said Alan Baxter, general manager of Pick 'n Pay food supermarkets.

"Food sales are on a par with last year, but people are being careful with non-food items.

"There's going to be Christmas rush, but shoppers are leaving it late.

"Over the past three years Transvaalers would arrive in Cape Town soon after the schools closed. However, this year they are staying at home a week or more to cut expenses."

The Cape Town Chamber of Commerce says retailers expect a modest increase in sales.

"Consumers will be more cautious about the prices they pay and will be cutting down on major items like furniture and appliances," said a spokesman for the chamber.

Sales of about R19 million have been forecast for November/December — a 10,5 percent increase over the R17,2-billion national sales last season.

"However, on the basis of an inflation rate of 13,5 percent, overall retail sales will be 2,6 percent less this year in real terms," said a spokesman for the South African Chamber of Business.

It is expected that sales in sports goods, beverages, alcohol and durable goods will be especially hard-hit.

It will be a sobering thought in boardrooms, as the port is passed around after Christmas lunch, that 10 companies are being liquidated each working day and nearly 100 000 consumers a month are being summonsed for debt.

Govt 'starving small business sector'

BIDAY 14/12/92 (30)

GERALD REILLY

PRETORIA — Government had virtually starved the small business sector of funding, costing the economy thousands of potential jobs, DP trade and industry spokesman Brian Goodall said at the weekend.

During the past financial year, only R2m had been set aside for the Small Business Development Corporation, while R2bn had been budgeted for an export incentive scheme.

"It is an economic tragedy that a great development potential is being ignored and entrepreneurship stifled because of a misallocation of state funds," Goodall said.

An SBDC spokesman said around 1 200 inquiries and applications were being received every day by the corporation from entrepreneurs wanting to start their own businesses.

With only two out of eight applications currently receiving approval for funding by the corporation, the demand for assistance was expected to escalate next year as the economy remained bogged down in recession.

The spokesman said the corporation was granting loans to the limit of its resources, amounting to around R20m a month, and this came mostly from its own cash inflow.

The corporation could utilise at least double this amount to set up small and medium-sized viable business enterprises, he said.

Currently there were 810 000 formal businesses in SA and 91% of them, or about 720 000, were small or medium size. They contributed 50% of the country's GDP and employed 2,4-million workers.

The informal sector probably employed another 4,4-million and contributed around 15% to total GDP.

Small and medium-sized business development was recognised internationally as the cheapest way of creating new work, Goodall said.

Improved sales reported by retailers

BDay 14/12/92.

LINDA ENSOR (30)

CAPE TOWN — Conditions were improving in the retail industry with a large majority of retailers reporting higher real fourth-quarter sales than last year, Stellenbosch University Bureau for Economic Research (BER) director Ockie Stuart said in a statement at the weekend.

Furthermore, sales in the first quarter of 1993 were expected to be higher in real terms than a year ago.

"As a result, more retailers are placing more orders with suppliers and anticipate placing even more orders in the first quarter of next year.

"The confidence level of retailers has improved substantially from the all-time low recorded last quarter. These results would seem to imply that the plight of consumers is not quite as bad as was indicated by many analysts," Stuart said.

He said retailers were concerned that the disastrous business conditions might not continue to bottom out during the first quarter of 1993.

Another finding of the survey was that no less than 28% of the respondents said the level of their first quarter 1993 selling prices could drop below the level which prevailed in the 1992 first quarter. They were also adamant that the rate of increase in selling prices was set to decline in the first quarter of 1993.

Surge of business in property from private investors

STAR 14/12/92

By Frank Jeans (30)

The leasing and sales division of JH Isaacs (Transvaal) has had a surge of business, with deals totalling more than R120 million concluded in the past six months.

Colin Wright, managing director of the division, says almost 40 percent of the transactions involved private investors, with the balance handled by institutions and property funds.

The average value of the investments was about R2 million and deals ranged from R200 000 to R25 million.

Wright says there was a reasonably high level of activity in central Johannesburg, Hillbrow and the northern areas of the city.

"Throughout the period under review retailers maintained a resistance to high rents and, as a result, they seriously looked at smaller space in prime positions," he says.

"Lower rents in retail strip developments created greater demand for space than did shopping malls. Another discernible trend was an uptake of space by banks near or next to major shopping complexes."

JHI foresees rationalisation by the major retail chains and this trend will contribute to near-zero growth in the short to medium term.

Looking ahead, Wright predicts a continuing oversupply of office space in Johannesburg's CBD, especially in B and C grade premises.

Industrial

Commenting on industrial property, Wayne Wright, industrial leasing and sales director of JHI Transvaal, says: "In this, the toughest of recessions in history, we are still able to conclude deals.

"The brokers realise the strength of tenants in this market. However, as we near year-end, leases are expiring, making demand for property for the coming year good."

Wholesaler goes out of business

(30)

By Des Parker STAR 14/12/92

DURBAN — Directors of the Kadodia family-owned Avoca Wholesalers business based in Durban — a major supplier to black-owned trading stores — have obtained a provisional order from the Supreme Court to liquidate the assets of two group companies.

Sources said the application for the orders on MS Kadodia (Pty) and Avoca Wholesalers of Empangeni were brought after a major creditor, Merchant Trade Finance, had obtained a court order enabling it to seize stocks of the companies.

They said the directors hoped to start negotiating with creditors on an offer of compromise after liquidators were appointed.

According to court papers, the assets of MS Kadodia, which trades as Avoca Wholesalers, were put on a liquidation sale basis at R32 million and its liabilities at R42 million.

The Empangeni company had assets of around R2 million. Its liabilities were unclear.

The group's trading premises at the Zululand town and at Isipingo and Phoenix and in Pietermaritzburg have been closed.

STAR 14/12/92

BUSINESS Caution must be exercised before the signing of any contracts

SA behind in franchising

Soweten 14/12/92 30

"Franchise businesses are not perfect but they are more successful than any other kind of business"

By Mzimkulu Malunga

FOR NEWCOMERS Tested as most successful form of business venture:

IT WILL TAKE about 30 years for franchise business to gain momentum in South Africa, says president of the International Franchise Association (IFA) William Cherkasky.

Though franchising has been internationally tested as the most successful form of venture for newcomers in the business world, franchisers must exercise a high level of caution before making any contractual obligations, he said.

While it has been around for over a century in the United States - the country where it is most successful - it was only fully realised about 32 years ago.

"But you have to start somewhere. After all, South Africa is a land of opportunities," said Cherkasky.

Complicating the issue for prospective franchisees in this country is the fact that there are no laws regulating the sector, making it a fertile hunting ground for shady operators.

Organisations like the South Africa Franchise Association, though they have certain ethical standards, do not command statutory powers which renders them powerless.

According Cherkasky, there was a time in the US when the US business community regarded franchising as a scam and opportunities which accompanied such ventures, with proper guidance, were overlooked.

"But when IFA was formed in 1960, it cleaned up the image of the business and approached the government for statutory powers which all franchisers have to abide by," he said.

The recent conference on franchising was just the beginning. Cherkasky said IFA was planning to hold a similar conference in November next year as a follow up.

Funding for education

For the next five years, the United States Agency for International Development will be funding projects aimed at educating local entrepreneurs about franchising as part of a broad programme to stimulate entrepreneurship.

"Franchise businesses are not perfect but they are more successful than any other kind of venture," he said. He warned potential franchisees that before buying a franchise they should have satisfied themselves that the prospective franchiser was genuine.

In the US franchisers are required by law to disclose all facts about their company to the franchisee before deals could be finalised. There is also a ten day educational period in which the franchisee gets a chance to analyse the company from which he is buying franchise from within before a deal can be finalised. This year's conference was attended by 15 fran-chisers from the US and the aim was to bring more in November 1993.

MEDIA SPOT

No 'innovator' chosen for 1992

BDM 15/12/92

30

Reports by
MARCIA KLEIN

SA CONSUMERS were being bombarded with more than 1 200 messages a day, double the number of 15 years ago, Media Director's Circle (MDC) chairman John Montgomery said last week.

Although this indicated that new ways had to be found to reach consumers, no one had risen to the challenge, he said. Because of this, MDC had not chosen a media owner or individual for the Media Innovator of 1992 award.

This was unfortunate, as innovation was the life blood of the industry, he said. "In our opinion there has never been a better opportunity for creative media thinking than in this past year."

One of the reasons for the lack of innovation was that most media types were dominated by monopolies, making media "more expensive, less targeted, less flexible and more complacent".

The industry had to "continue to demand free enterprise in media . . . and encourage competitors to enter media environments dominated by too few contractors", Montgomery said.

The National Association of Broadcasters had made proposals to lead broadcasting regulations "out of the dark ages", but these had not progressed because of political inertia.

Free enterprise and commercial broadcasting principles were in everyone's interest, particularly that of marketers who funded 80% of broadcasting.

Agencies also had a role to play, as conventional media strategies had become inadequate.

Promise

Montgomery said CCV, which had the ideal opportunity to position itself as the television station of the future SA, had not capitalised on the new political climate.

In addition, TV1's promise of better, brighter programming and innovative sales packages had not materialised.

"Instead, we are faced with a fall in prime time and total white, coloured and Asian TV viewership."

Recently announced programme, channel and rate structures had moved radio backwards, Montgomery said, and outdoor, cinema and print groups had also not provided enough new media opportunities.

NEWS IN BRIEF

Ad of the month

OGILVY & Mather RS-T & M, Cape has won the Association of Advertising Agencies' (AAA's) October ad of the month award for radio for its Prince Charles ad for Car Magazine, and in the outdoor category for its Crash Test ad for VW SA.

Cape-based agency The White House won in the magazine category for its No Flies ad for Opel, and it won the AAA and Newspaper Press Union's newspaper award for its You're Looking at Them ad for Woolworths. Hunt Lascaris TBWA won the TV ad of the month for its Fiji ad for the SA Optometric Association.

Reckitt account

DARCY, Masius, Benton & Bowles has been appointed to handle a substantial part of the Reckitt's Household account. This year the agency won the Plascon, Tabletop, Schweppes, TV1 and Reckitt accounts.

Partnership

PARTNERSHIP has been appointed to

Eurospace Africa's billings hit R140m

BDM 15/12/92

MEDIA company Eurospace Africa has been awarded the handling of media planning and buying for Smith and Nephew's Atrixo and Labello brands, bringing its billings to nearly R140m since it opened its doors two months ago.

Eurospace Africa is a joint venture by local directors Franco Barocas and Lyndall Campher and Eurospace International, a partnership of TBWA and French company Carat.

Eurospace Africa deputy MD Campher said that in addition to the original R100m in billings acquired from Hunt Lascaris TBWA, the company had acquired more than R38m of media planning, buying and co-ordination, including a deal with Media Graphics.

She said the first year's target of R200m would be met ahead of expectations.

Barocas said the company was the fourth largest media spender in SA.

But he added that "panic and hysteria" in SA over the entry of French company Carat was groundless. In France, Carat could buy media space in bulk at discounted prices and then sell it to advertisers. But this was not the case in SA.

Campher said the joint venture gave the local company access to Carat's research and its international buying muscle, which was useful for SA businesses looking for international media deals.

Pavement hawkers anger shopkeepers

(30)

THEO RAWANA

HAWKERS selling their wares in front of Johannesburg shops represented unfair competition because they did not pay rent or rates and had no overheads, shopowners said yesterday. B/DAY

But the greatest cause for alarm was the "next-to-nothing" prices Chinese and Korean hawkers — new arrivals on the Johannesburg CBD's pavements — charged for their goods. 15/12/92

Shopowners in King George Street expressed dissatisfaction with the increasing number of hawkers invading pavements and trading in front of their doorways, and blamed this for falling sales.

A general dealer said she had been trading in the area for 10 years, and things had always been good.

"Then came the hawkers and things changed. Our sales have been affected because we are trading in competition with hawkers who don't have to pay rent or rates," she said.

Asked if she had complained to the authorities, she said: "No. We don't complain, because it is people earning their living."

The owner of Buxton's Watches, Radios, Clocks and Shoes said the greatest problem was the Chinese and Koreans, who sold their goods for "next to nothing".

"A pair of jeans which we sell at R90 is sold by these people at R35, and their watches go for R20," said the trader, who asked not to be named.

The trader also complained of competition from people who had no overheads. "They don't have to pay for water, lights or staff," he said.

A dealer in in babywear, children's clothing and footwear, Yusuf Mayet, told of a recent incident when a man walked into his shop and grabbed dresses from the rails. "But God will replace those stolen goods — he always does," he said.

Hawkers' council Achib president Lawrence Mavundla could not be reached for comment yesterday.

B/DAY 15/12/92.

NEWS IN BRIEF

Report on food pricing

THE Board on Tariffs and Trade had completed its final report on the price mechanism in the food chain, Trade and Industry Director-General Stef Naude announced yesterday. (20)

He said the report would be forwarded to Agriculture Minister Kraai van Niekerk and Finance Minister Derek Keys.

Retailers face festive theft loss of R300-m

STAR 15/12/92.

By Philip Zoio (30)

The retail industry faces an estimated R300 million loss through staff pilfering and shoplifting over the Christmas period, according to a survey.

South African Chamber of Commerce (Sacob) economist Keith Lockwood said a Sacob survey — based on forecasts compiled by retailers — showed an expected loss of R300 million due to shrinkage (staff pilfering and shoplifting) during the months of November and December alone.

This figure translated into an expected loss of R1,3 billion for the year, he said.

Overall, retailers expected 1,6 percent of the industry's turnover to be lost through shrinkage, a slight increase from last year, Lockwood said. But actual shrinkage could be offset by the fact that many retailers had implemented measures to improve security.

He said the deteriorating economic circumstances, the general absence of a social security net and the increase in the number of unemployed would tend to boost shrinkage levels.

"This increases the pressure to stay alive by taking that for which they (the shoplifters) cannot pay," he said.

He said the fact that many people were desperate explained the higher shrinkage forecasts in the food and clothing sectors of the industry.

Witwatersrand police spokesman Captain Eugene Opperman said that shoplifting increased every year during the Christmas period, as stores were more crowded and schoolchildren were on holiday.

He said although prevention of shoplifting was the responsibility of the stores themselves, police were compelled to investigate any complaint, regardless of the age of the alleged culprit.

It was unfortunate that a large proportion of shop theft was committed by schoolchildren, Opperman said.

Edgars executive director Fred Haupt said increases in shrinkage were expected in the Christmas period.

About 60 to 70 percent of the shrinkage resulted from actions by staff members. Shoplifters were responsible for the rest.

Haupt said collusion between customers and staff — which he described as the least risky form of shoplifting — often took place. Other shoplifters committed their crimes simply for the fun of it, he said.

A spokesman for Shoprite Checkers said the shoplifting problem was becoming "more and more serious with each passing year", and that losses were larger during the school holidays. The main targets were toys, compact discs, cosmetics and gift sets.

The spokesman said security measures would be stepped up over the period in anticipation of an increase in the number of customers.

Trends look promising for retail companies

BDAY 17/12/92. (30)

MARCIA KLEIN

DESPITE gloomy predictions for retail sales over the Christmas season, the emerging trend towards improved sales is a good sign for retail companies next year, analysts say.

One said there was likely to be a slowdown in holiday tourism as people stayed at home rather than spend money on accommodation and travelling.

This and lower interest rates would induce consumers to spend more money on Christmas gifts, clothing and, to some extent, furniture and appliances.

This trend of increased consumer spending, which analysts expected to continue into the coming year, should be reflected in retailers' results during 1993.

One analyst said spending in the lower end of the market would be depressed as there was simply no money and no opportunity to obtain credit, affecting the performances of groups like Pepkor.

Credit-based companies, or those operating in the middle to upper market, were expected to report creditable but not spectacular results. These included Edgars, CNA Gallo, Dion and Game.

Analysts were expecting an improved performance from Woolworths, which had recently pulled down holding company Wooltru's results. Wooltru subsidiary Makro was also expected to fare better as the introduction of VAT was now out of the system.

A decline in disposable incomes, high debt levels and unemployment saw retail sales decline 5,4% in real terms in the first six months of 1992 compared with the same period in the previous year. The largest declines occurred in sales of food and inedible groceries.

Mass action slowed sales in August, and sales to the black market, which had been buoyant for some time, remained subdued. But since September, sales had started to show some improvement.

The retail sector had bottomed out in August, and had outperfomed the industrial index since then.

A recent Sacob survey showed that retailers were expecting a subdued Christmas season, with sales expected to increase only 10,5% — a decline in real terms.

Analysts said next year would be a better year for retailers, although the improvement would not be dramatic.

Inflation in the retail sector had declined significantly, but some retailers' costs remained high, so it was difficult to increase margins. This meant high earnings growth was unlikely. Nevertheless, some earnings growth was expected.

Businesses going under at the rate of 10 a day

(30) 17/12/92 McG

MARC HASENFUSS
Business Staff

ALMOST 10 businesses went to the wall every working day in the first 10 months of the year.

According to Central Statistical Service (CSS) figures, 2 007 businesses were liquidated between January and October, an average of 200 a month.

Liquidations for the 10 months are already 7,7 percent ahead of the 1 881 in the whole of last year.

The figure is more than 25 percent higher than the annual totals for 1988, 1989 and 1990.

More than 1 800 of this year's liquidations were compulsory. Only 188 were voluntary.

The figures show that nearly 80 of the 220 companies that went into liquidation in October were in the retail and wholesale trades — a clear indication of severe spending cuts, especially in the luxury and leisure goods categories.

Other sectors with high liquidations included manufacturing (59), financing, insurance and real estate (46) and construction (24).

Insolvencies — individuals or partnerships placed under final sequestration — in the nine months to the end of September numbered 3 440.

This compares with the 4 057 in 1991.

Metropolitan Life chief economist Dr Chris Visser said companies were able to manage negative cash flows during previous short and sharper downturns, but not during a prolonged recession.

Dr Visser said effective stock management was a pre-requisite for survival.

But many companies were moving stock at below cost — straining financial resources further.

"As long as consumer spending remains under pressure, de-stocking will continue."

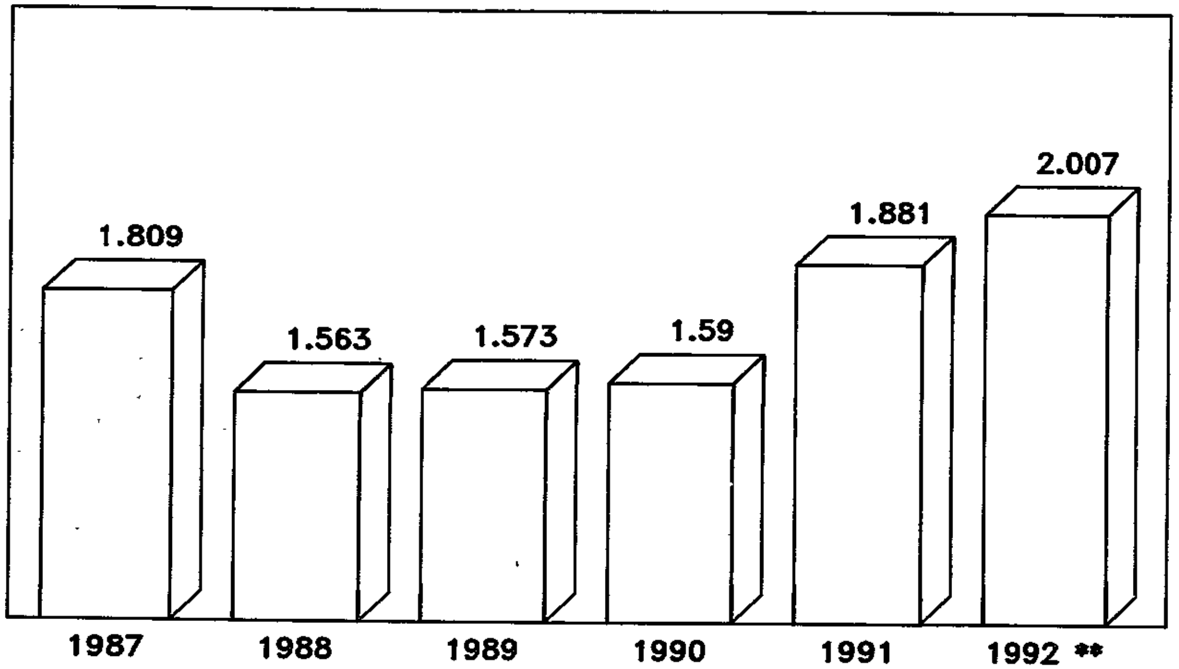
Econometrix director Mr Tony Twine said that even if the economy did not weaken further, businesses running on "survival credit" would remain in a risky position.

Mr Twine pointed out that during the 1980s the economy was operating at negative or very low interest rates and business people built this into their equations for company structuring.

The strongly positive interest rates now prevailing had left a lot of companies grasping for affordable finance, he said.

The recession has already taken established listed companies such as Tollgate, and other notable groups in provisional and final liquidation include the Debonair Group, Supreme Holdings and Bester Homes.

LIQUIDATIONS Annual Totals



** Total for 10 month period January to October 1992

Aimark sells Aim business and delists

BDay 18/12/92

MARCIA KLEIN

CONSUMER durables company Aimark, which today reported a net loss of R3,7m (R366 000 profit) in the six months to end-June, is to dispose of its Aim business to director and shareholder Martin Klein for R1,1m.

The disposal, which follows a cautionary announcement in November, will result in Aimark delisting from the JSE's DCM sector.

Directors said the remaining non-Aim business of importing, warehousing, selling and distributing products had "severely weakened Aimark's financial position", and exacerbated the loss.

They had decided to restructure the group, which would result in a reduction in debt and enable Aimark to focus on non-Aim businesses.

It was unlikely that there would be a short-term return to profitability or dividend payments, and it was not in the interests of minorities to keep the company listed, directors said.

They said Aimark's ordinary shares — other than those held by management shareholder Ivan Cohen — would be converted into redeemable preference shares. These would be redeemed for 10c a share, and the company would be delisted.

The payment by Klein would be settled in cash, and the disposal would be effective from September 1 1992. It would result in earnings of 50c a share, compared with a loss of 2,1c a share. NAV would increase from 36c to 1 000c.

Aimark's results to end-June show a R3m loss before interest and taxation compared with profit of R1,2m the previous year. The interest bill of R696 000 was 38% higher than the previous year's R503 000. 30

It showed a loss of 23,25c a share from earnings of 2,29c in 1991, and did not declare an interim dividend.

FM 18/12/92 (30)

PREMIER/SCORE FM 18/12/92 (30)

More unhappy minorities

December is becoming minorities month. Earlier, Powertech's takeover of Pickard companies resulted in a stream of minority protests and eventually an enhanced offer. Then Micor's board announced it had accepted an offer to buy out the business on terms which have infuriated some minorities.

Now Premier has told minorities in Score Clicks and Hi-Score, two linked pyramids which effectively control Clicks and hold smaller positions in Metcash and Score Supermarkets, that it intends taking them out — at a discount to underlying NAV. Predictably, that is not pleasing the minorities.

However, the Premier deal is being constructed as a scheme of arrangement in terms of S311 of the Companies Act, so more than 75% of the affected minorities must vote in favour. That gives dissenting minorities a sporting chance of mustering sufficient support to defeat the proposals.

Matters of concern to stockbrokers acting with minorities are, first, that the deal is being offered at a discount to net worth. "That's not unreasonable," responds Premier chairman Peter Wrighton. "Other holding companies like Anglo frequently trade at substantial discounts to the underlying net value of their investments. All we're doing is taking cognisance of that."

However, the comparison with Anglo is spurious: Anglo is not a pyramid. Rather more meaningful is a comparison with Libvest, the top company in the Liberty group. It has traded consistently at a premium since it was listed Another example is Pikwik, holding company for Pick 'n Pay, which has traded almost exactly in line with the value of its underlying asset.

The second objection is that there's no cash underpin to the deal. Shareholders in the two pyramids are being told they must accept Premier shares in exchange for their holdings. "We are being told that if we don't want Premier shares, that's our bad luck. It is grossly unfair to minorities," says a fund manager.

Third, analysts believe it is unreasonable to remove from the marketplace one of the few ways into Clicks, a stock which is usually in demand but in which trading is limited.

"Finding Clicks shares is difficult enough," says one analyst. "Removing the only alternative will make it that much more difficult to acquire a meaningful and focused holding."

Broker Ed Hern analyst Sydney Vianello says the essential question for investors is whether they want to be in Clicks or Premier. "Presumably, they bought their shares in the pyramids originally for their focus and their cheapness relative to the principal underlying business. They're unlikely to be happy with a situation in which they're forced to accept Premier paper."

Vianello says Clicks is one of the few retail businesses that are expanding their trading space rapidly. "Trading space is one of the keys to success in that business, and Clicks's forward expansionary policy will pay off marvellously in future. It is a very good business; it's hardly surprising Premier wants to consolidate it."

A fund manager who insists on anonymity says it is strange Premier did not canvass institutions thoroughly before announcing the deal. "Frankly," he says, "the offer is too thin. We would have appreciated an opportunity to discuss the proposal in detail; all we can do now is await the documentation."

Wrighton says Premier has no wish to coerce minorities. "It simply isn't our style." But he does see benefits for shareholders in eliminating the two pyramids: "They will be getting a much more marketable share (Premier). And they will be shareholders in a company with substantially larger earnings and dividends." Wrighton adds that if Premier's proposals merely fuel shareholder resentment, he will consider withdrawing the scheme.

However, there are few approaches better calculated to offend shareholders, institutional or private, than the cavalier take-it-or-leave-it attitude they detect in Premier's latest corporate manoeuvres. "We have noticed lately that wherever Premier is involved, there's also a public argument," says another broker. "That's grossly unreasonable," responds Wrighton. "Premier is involved in only one other altercation (with the Kroks in relation to Prempharm). If that is the public perception, then it's very unfair."

Premier's proposals may need to be shrewdly adjusted to ensure general acceptance.

David Gleason

PREMIER GROUP FM 18/12/92 (30)

Changing profit profile

After recently growing earnings at a faster rate than competitors, mainly Tiger Oats, Premier Group's share price is finally showing the benefit. Premier's 14% increase in interim EPS to September, compared with Tiger's 11% for the full year (see *Companies)*, now has the rival shares on almost the same rating.

FM 18/12/92 (30)

At the same time, profit profiles of the respective groups are growing apart. Once the obvious comparison in the JSE's food sector, Premier and Tiger are starting to look more like apples and pears.

For one, Premier received a strong boost from six months' inclusion of Metro Cash & Carry. Year-on-year comparisons are not strictly comparable as Metro was only included for four months in the last interims; still, the effect on earnings is quite dramatic.

Metro increased its contribution to Premier's earnings over the year from about R2,9m (on figures restated to six months) to R16,1m, which means it now accounts for about 18% of earnings compared to about 4% a year ago. The strong cash flow generated by Metro has helped Premier reduce borrowings and bring gearing down to a comfortable 18%, against 1991's 47%.

At the same time, the food division has reduced its contribution to earnings from about 58% a year ago (R42m) to 51% (R45,8m).

Premier's deliberate policy of focusing on branded staple foods, while competitors like Tiger followed the value-added route is paying off in the current recession, despite problems in the bakery business, which executive chairman Peter Wrighton says stem from a drop in bread consumption, aggravated by distribution problems to troubled black areas.

But when the economy turns up, will Premier's focus on staples leave it behind competitors who have moved into higher-margin products? Wrighton argues not, saying growth will be in the mass market for some time to come. "We don't believe the A- and B-income sectors will ever grow as fast as the C and D sectors, which we have targeted, even when there is an upturn," he says.

The food division was also boosted indirectly by the disposal of a large part of Premier's poultry and animal feeds interests, which has helped cut the interest bill by more than half to R17,7m.

Wrighton says contributions from Premier Pharmaceuticals are creditable, with earnings from this division up 22%, and now accounting for about 19% of earnings.

But, while the dispute with the Krok brothers over the acquisition of pharmaceutical businesses controlled by Gresham industries continues, and will probably be settled only in court, contributions from this sector dropped by a disappointing 66% to

FM 18/12/92 (30)

about R1,1m. That's a small portion of Premier's earnings, but it remains hard to fathom why the group is so keen to add what appear to be underperforming assets to its pharmaceutical business.

Certainly, there is little apparent reason why the acquisition should benefit Premier Pharmaceuticals.

The share, now seemingly on the rating it deserves, is not cheap at R52,50. Still, Premier seems to be offering more long-term value than it did a year ago.

Shaun Harris

CASH BOOST

Six months to	†Oct 31 '91	Apr 30 '92	Oct 31 '92
Turnover (Rbn)	4,47	5,35	5,42
Operating inc (Rm)	194,6	225,5	212,7
Attributable (Rm) ..	72,8	117,2	89,5
Earnings (c)	99	145	113
Dividends (c)	32	49	36

† Seven month period restated as six months.

VAALTRUCAR FM 18/12/92

Downhill ride (30)

Vaaltrucar and its 81%-held operating arm, Vaalauto, did little in financial 1992 to encourage investor confidence. The weak new- and used-car markets severely constrained earnings, depressing EPS to a 17c loss. Turnover fell 12,5%, reversing 1991's R4,2m operating profit to a loss of R123 000. Inevitably, the dividend was passed.

Short-term debt almost doubled to R6,2m, lifting gearing to a high 79%. Chairman Sarel Germishuizen says closure of the Brits branch and sale of the Verwoerdburg branch, with the inflow of funds from the disposal of the interest in Spareco/Eddies to IGI, should ease the situation.

A sectoral breakdown shows that while results were disappointing, they were in line with the trend in the motor industry. New and used vehicles, in which 38% of assets are employed, contributed a negative 57% and 75% respectively to operating income.

The parts division, with assets employed similar to those of the new vehicles division, lifted its contribution to operating income by

continued

COMPANIES FM 18/12/92 (30)

Activities: *Retails new and used motor vehicles and spares.*
Control: *Directors 47%.*
Chairman: *S F Germishuizen; MD: C Germishuizen.*
Capital structure: *16,5m ords. Market capitalisation: R5m.*
Share market: *Price: 30c. 12-month high, 60c; low, 30c. Trading volume last quarter, nil shares.*

Year to Feb 29	'89	'90	'91	'92
ST debt (Rm)	0,65	1,49	3,18	6,16
LT debt (Rm)	0,12	1,04	0,9	0,9
Debt:equity ratio	0,07	0,19	0,28	0,79
Shareholders' interest	0,42	0,44	0,36	0,28
Int & leasing cover	5,53	2,85	1,59	n/a
Return on cap (%)	22,2	16,7	12,2	(0,4)
Turnover (Rm)	91,3	102,1	138,3	121,0
Pre-int profit (Rm)	4,6	4,3	4,2	(0,1)
Pre-int margin (%)	5,0	4,2	3,0	(0,1)
Earnings (c)	14,1	15,7	5,7	(17,0)
Dividends (c)	4,5	5,0	3,2	nil
Net worth (c)	53	68	60	43

46%. And the smaller service and petrol arm raised its contribution 186%. By far the bulk of assets, about R8m, are in property, whose real return is realised only on disposal.

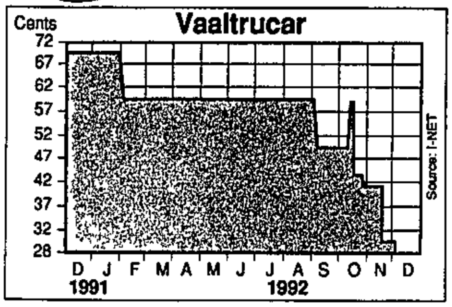
Interest and leasing cover, as well as debt cover, have deteriorated steadily and, by year-end, reached nil. The unprofitable investment in Spareco/Eddies constrained cash flow. The disposing of this should see a reversal of these trends. But Germishuizen sees no early signs of economic recovery.

Though car markets remain depressed, the latest adjustment to Phase Six of the local content programme raises the local content minimum. It is hoped this will benefit the motor parts replacement market.

Last month's interim results show turnover down 20% on last year, but operating income almost quintupled to R584 000. Finance costs fell from R1,3m to R515 000, which resulted in pre-tax income of R69 000, compared with the R1,2m loss last year. Current liabilities are down by a third and there is a write-off of R1,5m previously claimed as deferred tax.

The share, under pressure in recent weeks,

Vaaltrucar's Germishuizen ... *no sign of economic recovery*



has fallen to a low of 30c. Immediate prospects are not encouraging, but the disposal and closure of unprofitable businesses should bring benefits when the car market improves.

Marylou Greig

WNA top for Topic

20/12/92

S Times (Buss)

A YOUNG, aggressive, Cape-based advertising agency has won a major advertising contract competing against some of the top names in SA.

WNA International has just been awarded the R1,5-million Topic Stores account, previously handled by Ogilvy & Mather, one of the country's largest ad agencies.

The Topic Stores group is a fast-expanding national retailer, with 119 outlets, selling clothing on a six-month revolving credit basis to the middle and lower income groups. It has opened 20 new stores in the past 18-months.

Although WNA has a core client base of international pharmaceutical companies, the company plans to actively acquire other consumer advertising accounts.

London gold

SARB accommodation
Treasury bill tender r
Basic call of discount
Three-month banker
Three-month NCDs
Three-year RSA stock
Prime overdraft rate
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SECONDARY MARK

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Pharm and Medical ...
Banks and Financial Se
Copper
Transportation
Other

Overall

KLERKSDORP

R198m centre boosts Durban

STimes (B455)

By ZILLA EFRAT

20/12/92

THE Durban City Council has announced its largest single investment — a R198-million convention centre. The council's management committee chairman, Peter Mansfield, says the centre will be a catalyst for further development of the city. It is expected to generate foreign earnings of R120-million a year and create around 2 500 jobs in ancillary industries.

The centre, to be located on the Walnut Road — Central Jail — site adjacent to the existing Exhibition Centre, should attract private sector investment well in excess of its costs.

It could "internationalise" Durban as a destination, taking a bite out of the huge, but competitive, international convention market, estimated to be worth well over $150-billion a year.

It is expected to be completed in September 1996 and will be run by private sector experts on a profit driven basis. Its income is forecast to exceed its operating costs within three to five years.

The council believes that Durban's infrastructure, hotels, visitor facilities and services make it an ideal destination for conventions. The city also has the largest accommodation capacity of any centre in southern Africa.

Marketing of the centre will start immediately, as international conferences usually take at least four years to organise.

Retailers expect good sales but low margins

B/DAY 21/12/92 (30)

MARCIA KLEIN

THIS year's Christmas shopping, which has been characterised by buying down, would result in fairly buoyant sales volume but lower margins, according to major retailers.

Retailers estimated that sales would be up by between 10% and 12% in rand terms for the December period.

This is more or less in line with recently released figures from the Central Statistical Service (CSS), which show that retail sales were expected to rise by 11,2% over the festive season, or drop by 3,1% in real terms.

The CSS estimated December's sales would increase 2,2% to R11,4bn from the previous month after seasonal adjustment. At this time last year, retail sales were expected to rise by more than 14% over the Christmas season.

A recent Sacob survey showed that sales were expected to rise 10,5% over the Christmas season.

But some pessimistic retailers said they would be lucky if sales went up by more than 8% in rand terms, as trading was slow and higher-priced items were not selling.

Sales increases for the first half of the month, generally, had been marginally higher than in 1991. But retailers warned this week would be critical. Retail sales over the last two months of the year accounted for more than 20% of sales, and of those a significant proportion was made in the last week before Christmas.

One retailer said the Christmas rush was starting later each year, and this was not good for retail sales. This year sales would feel the effects of unemployment, lower wage increases set for the coming year and less purchasing on credit. Last year credit sales were still relatively buoyant.

A Shoprite-Checkers spokesman said the chain was doing well in the run-up to Christmas. There was less spending on luxury items, amd consumers were "looking rather for value for money in the food and grocery lines as well as economical gift items".

The popular lines had been cheaper toys and gift sets, chicken, cornish hens and turkey.

OK marketing director Arthur Solomon said sales levels were as expected. The OK knew beforehand that this would be a tough Christmas season.

Customers were buying more of the basic items than previously, and back-to-school items were being bought as Christmas gifts.

CNA retail MD Andries Smith said sales in the first two weeks had been slow, although they were marginally better than those of the previous year.

He said people were buying down, and the lower-priced items were moving volumes. However, this meant also that lower sales in rand terms were being realised.

Customers were looking for value and were buying specials.

Retailers said although they were not expecting fireworks in terms of sales, rationalisation and a focus on containing costs should enable them to maintain or increase profitability over Chritmas and in the coming year. However, margins would remain under pressure, they said.

They said also that sales in the fourth quarter had shown some improvement, and this trend was a good sign for the coming year.

Christmas sales volumes to rise

(30) CT 24/1/93

From MARCIA KLEIN

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Decor to sell timber arm

(30)

149 JONO WATERS 155

RETAIL and wholesale group Decor Investments would dispose of its timber products division either on a piecemeal basis or comprehensively at prices which would keep capital losses to a minimum.

In his statement for the year ended June 30, chairman Charles Graham said the group's efforts to reverse the downward trend in the timber division had "been in vain". The group reported a R3,86m loss for the period. BDAY

Decor would scale down operations in the division to a break-even level, he said. The financial position of the wall-covering division remained strong. 21/12/92

Parties had expressed interest in the timber division plant, its products and foreign custom base.

He said it was essential to maintain adequate liquidity levels during the scaling down of operations.

CITY

Workers want their Indian bosses to stay in Khayelitsha

(30) ARG 21/12/92

EDWARD MOLOINYANE
Staff Reporter

BY insisting that Indian businessmen should leave black townships, the Khayelitsha Business Association is trying to maintain apartheid, say workers who are likely to lose their jobs if the Indians have to leave.

Angry representatives of the more than 200 workers spoke to The Argus after a meeting between Khaba and the 15 Indians.

At the meeting, Khaba reiterated its call for the Indians to leave Khayelitsha.

The workers said they were told this by their bosses.

Details of the outcome of the meeting could not be obtained from Khaba or the traders.

Khaba chairman Mr Victor Mbauli was said to have gone to Transkei.

A spokesman for the Indian businessman declined to comment, saying "they were no longer interested in the press".

The workers said they were opposed to the threat against the Indians because it meant they would lose their jobs.

Apart from the economic reasons, the call was politically naïve as it meant maintaining apartheid which all the political organisations were fighting to eradicate, they said.

"Most of us here are breadwinners. we have families to support and accounts to pay.

"If these Indians leave is Khaba going to feed us?" asked Mr Marcus Botha, who with 12 other staff has worked as an assistant to a television and hi-fi dealer for two years.

Mr Botha said he had been unemployed for four years before he found his present job.

"I looked for a job everywhere, including black businesses in the township, but I could find nothing.

"If the Indians leave, I doubt whether Khaba people would employ us as they normally take on their own families only," said Mr Botha.

Others also appealed to Khaba to reconsider its stand.

The row between the two factions started last month when Khaba asked the Indians to leave the township because they were undercutting them and "stealing our customers".

Another reason was that the Indians' business acumen and finacial abilities were obtained through apartheid and they were not competing on an equal footing, Khaba said.

The Indian traders have slammed this as "racist and backward" and have stayed put.

It is understood the parties will meet again on a date which has yet to be decided.

COMPANIES

Premier announces share details

BIPDM 22/12/92

MARCIA KLEIN

THE Premier Group has announced details of the scheme of arrangement in which Hi-Score and Score-Clicks will become wholly owned subsidiaries.

In a circular to shareholders, Premier chairman Peter Wrighton said the Hi-Score and Score-Clicks shares did not reflect "the market value of the underlying holdings in those companies".

Before this arrangement Premier had a 79,8% holding in Hi-Score which owned 65,9% of Score-Clicks.

Score-Clicks shareholders have been offered 12 Premier shares for every 100 shares held, and Hi-Score shareholders have been offered 21 Premier shares for every 100 shares held.

Score-Clicks' shares closed yesterday at 510c, Hi-Score at R10 and Premier at R50,50.

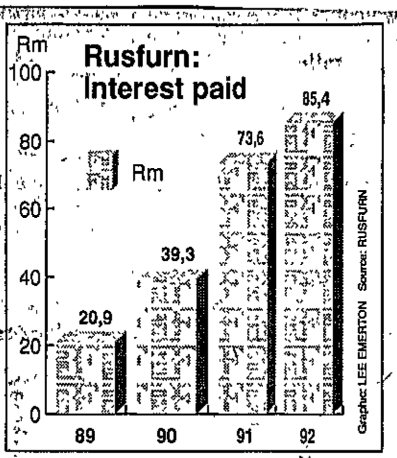
(30)

The listings of Hi-Score and Score-Clicks will be terminated from close of business on February 12.

Apart from its 100% interest in Hi-Score and Score-Clicks, Premier would have a 47,4% interest in Clicks and a 69,6% interest in Metcash.

It would also have a 10% interest in the management consortium which recently acquired Score Supermarkets.

The scheme is subject to the approval of shareholders and the Supreme Court.



Strict steps shake up rocky Rusfern

(30) MARCIA KLEIN

LARGE-scale remedial action should enable the troubled Rusfurn group to show operating profit before interest in financial 1993, newly elected chairman Danie Cronje said in the annual report.

But he cautioned that the 419-store furniture group's high gearing would result in an attributable loss for the year ahead.

Russells and Dion, which accounted for about 70% of turnover, were running on schedule to meet their profit budgets.

Cape stores were making progress and would show a profit before interest, while Wanda-Frasers would reflect a loss before interest on the back of reorganisation costs. Wanda-Frasers was expected to make a positive contribution in financial 1994.

B/DAY 23/12/92

Cronje said 1992 was a "grim" year, the worst since Rusfurn listed in 1987. The R135,9m loss, which followed a loss of R79,2m in the previous year, was not surprising given remedial action taken during the year and the slowdown in economic activity.

Since July 1991, Rusfurn had launched a comprehensive recovery strategy to restore it to profitability.

As part of its strategy to secure adequate funding and bank support, the group

☐ To Page 2

Rusfern

B/DAY. 23/12/92 (30)

☐ From Page 1

held a R250m rights issue. At the end of November Rusfurn was using R394m or 57% of its bankers' facilities. Only R100m of the facilities was expected to be used in the coming year.

Rusfurn had implemented conservative accounting policies, resulting in a R201m reduction in ordinary shareholders' interest. It had tightened credit control and risk management, and debtors' provisions were increased to 38,7% from 30%.

The group was restructured into three divisions, the middle-upper and the middle-lower furniture divisions and the mass merchandising division. Savings from this rationalisation were expected in the coming year.

Cronje said the "unfortunate acquisition" of Furniture Fair in 1989 had cost the group R230m. The Furniture Fair and Arrow chains had been closed.

Wanda-Frasers was being rationalised and the middle-lower furniture operations in the Cape were consolidated into one business, Capefurn.

Staff numbers had been reduced by 23% across the board and this had resulted in substantial savings, Cronje said.

Since year-end, Laurie Korsten resigned as chairman and CE, and was replaced by Cronje as chairman and Keith Jenkins as CE. The board was also reconstituted.

Sacob: Cautious optimism for 1993

(30) CT 23/12/92

JOHANNESBURG. — SA can enter 1993 with cautious optimism following signs of progress again on the political and economic fronts, and excellent early summer rains over most of the country, Sacob president Spencer Sterling said.

"What will be required of the leaders of this country in all walks of life will be vision, courage, conviction, honesty and integrity, and I believe it will be forthcoming," he said in a new year message.

The current year, he noted, started with much promise but brought significant retrogression, with the breakdown of the constitutional negotiation process, an escalation in violence, drought and progressive deterioration in the world economy, all of which were devastating for the local economy.

"Seldom, if ever before, has this country been faced with so many daunting political, economic and social challenges," he said.

To move towards future peace and prosperity, constitutional negotiations must be resumed, violence must be curbed, and the local economy must be restructured to provide for economic growth with meaningful wealth creation and equitable distribution, he said.

In this respect, recent public statements of commitment to the ending of violence and a negotiated political solution on the part of all main political groupings, with the process toward a resumption of constitutional negotiations early in 1993, were encouraging.

So was the recently established National Economic Forum, he added. — Reuter

OK forced to stop selling toy AK-47s

(30) (2248) BDM 23/12/92

STEPHEN COPLAN

COMPLAINTS from the public have forced the OK Bazaars to stop selling toy replicas of AK-47 assault rifles.

OK marketing director Arthur Solomon said yesterday the sensitivity surrounding the sale of this "controversial toy" had prompted the chain store to remove all stock from the shelves immediately, rather than discontinuing supply once stock was sold.

The store said the toys, imported from the Far East, had sold well.

The SA Consumer Council did not criticise the sale of the replicas, with spokesman Paul Roos saying the council felt the replicas presented a political, not a consumer issue.

(2251)

National peace committee chairman John Hall, speaking in his personal capacity, said he was "horrified" by the selling of the replicas. "It is criminally irresponsible ... in a violence-wracked society to sell these replicas which only serve to promote the destruction of human lives and further deaden the minds of many who are already semi-anaethetised to the horror of death."

news in b

Sowetan 24/12/92

Boycott postponed

A CONSUMER boycott of businesses in Botshabelo near Bloemfontein, called last week by the National Education Health and Allied Workers Union and its allies, has been postponed indefinitely.

A spokesman for the organisers of the boycott, Mr Tshokolo Dichabe, said the boycott was ineffective because other organisations had refused to take part. (30)

The aim of the boycott was to force the Provincial Administration of the Orange Free State to reinstate about 256 dismissed workers who took part in a hospital strike early this year. - *Sowetan Reporter.*

MILSTAN HOLDINGS (30)

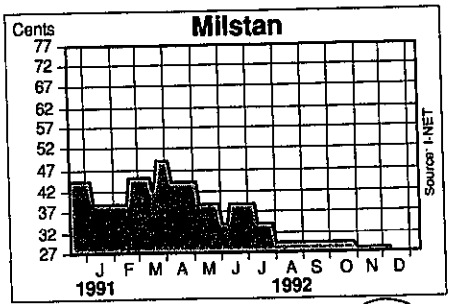
Christmas wish list

Activities: *Retails electronic consumer products.* FM 25/12/92
Control: *Directors and staff 51%; W&A 31%.*
Joint MDs: *S Etkind, M Etkind.*
Capital structure: *27,3m ords. Market capitalisation: R7,9m.*
Share market: *Price: 29c. Yields: 13,8% on dividend. 12-month high, 50c; low, 29c. Trading volume last quarter, 4 100 shares.*

Year to Feb 28	'89	'90	'91	'92
ST debt (Rm)	0,5	3,1	1,9	2,6
LT debt (Rm)	0,3	1,1	1,8	1,7
Shareholders' interest	0,30	0,33	0,24	0,20
Return on cap (%) ..	14,8	12,9	1,0	—
Turnover (Rm)	96	109	127	136
Pre-int profit (Rm) ...	8,3	7,8	0,8	(0,2)
Pre-int margin (%) ..	8,7	7,2	0,6	—
Earnings (c)	22,5	19,3	0,3	(5,0)
Dividends (c)	7	8	4,5	4
Net worth (c)	63	74	66	56

Perhaps Milstan's wish for a reasonable level of consumer spending this Christmas will materialise; perhaps it is premature. After an exhaustive advertising campaign, December trading has started favourably, according to joint MD Stan Etkind. One can only

continued



(30)

hope this trend will continue.

The demise of the long-playing record increased the demand for compact disc players last year. And, though the demand has slackened somewhat, Etkind says the introduction of the laser disc to SA in the next year or two will be a second wind for electronic retailers. It's a boost they desperately need.

Milstan's financial hiccup after five years of reasonable trading came from an unexpected source — a weakness in accounting procedure. Only now, with the publication of annual accounts for year-end February, can the damage be quantified.

The R3,2m oversight was twofold: unrecorded liabilities (R2,2m) and overvalued stock (R1,2m). What does come to light is that the unrecorded liabilities occurred in the Stans arm of Milstan, while an overvaluation of stock was found in both subsidiaries. The expensive weakness in procedure will not result in a change in management in either subsidiary.

Considerable attention has been given to rationalisation. Etkind says a few stores which were not in favourable locations were closed. Two new stores will open in 1993.

Etkind hopes financial 1992 was both the first and the last time earnings will be in the red. For that to happen, results for the current six months will have to be particularly good, given the R1,9m after-tax loss for the six months to end-August (*Fox* December 4).

In the 1992 year, the negative bottom line drained R3,9m from cash resources and pushed the current ratio to 1,09 — the lowest since listing. At last year-end this retailer remained ungeared. The cash reserves were large enough for a dividend payment, though it was uncovered by earnings. But, should losses increase, the dividend is obviously in jeopardy.

Investors do not share the same confidence as Etkind. The share is at a 12-month low, 48% below NAV. As a short- to medium-term buy, it holds little promise. *Kate Rushton*

Touch and go as stores struggle to meet budgets

S Times (Buss) 27/12/92.

(30)

By DON ROBERTSON

IT was touch and go whether retailers would meet Christmas budgets this year.

Most believed a last-minute rush on Thursday would enable "very conservative" budgets to be met.

Some clothing retailers, however, found it necessary to offer discounts to encourage sales in an effort to clear their floors of summer garments ahead of winter restocking.

Sales at OK Bazaars stores have been "somewhat pedestrian", says managing director Mervyn Serebro, "but this is what we had anticipated.

"Christmas appears to occur later each year and it was only on Wednesday and Thursday that things picked up," he says.

"Customers have switched to buying basic goods. Mothers are buying back-to-school items such as suitcases and clothes for Christmas presents to avoid having to buy these later in January. Adults are also buying more clothes as Christmas presents."

Sales at the Edgars, Jet, Sales House and Express chains were on target during December, according to Fred Haupt, executive director of corporate services.

"We are hoping for Christmas sales growth to be above the inflation rate."

The Edgars group usually offers discounts at this time of the year, but "we have been much more aggressive in our marketing than we were last year".

Volume sales at the Milady's fashion stores were about 13% better than last year, says assistant operational manager Okkie Strom.

The group will be stocking up with winter clothes in the first week of January and has been offering discounts at all its stores to clear the summer range.

"This has put some pressure on margins and we will struggle to reach last year's figures. Nevertheless we are selling more and have been advertising more on TV and in newspapers."

Tremendous

David Susman, chairman of the Wooltru group, says his company is "running according to budget", but he will not put a figure on sales because the company is due to produce interim results soon.

With Christmas on Friday, there was an extra two days of selling during the week, which he said would help. The company concentrated on the sale of medium-priced goods.

The human resources manager at Sterns says there was a tremendous start to December and this carried through.

"It exceeded all our expectations and unit sales have doubled. Average prices, however, were lower than last year as people bought down. This meant that sales in rand terms were slightly lower than last year."

This buy-down syndrome has also affected liquor sales and the scotch will not be flowing as it did last year.

Johnny Tyropolis, owner of Jumbo Liquor stores, says sales on Wednesday and Thursday "were like any other day. Their were no fireworks".

Mr Tyropolis says sales in December were at least 50% below those of last year.

'Educate consumers'

30 STEPHEN COPLAN

CONSUMER education programmes are essential to counter ignorance and exploitation, the Consumer Council says. BDAY

Its editorial in the SA Consumer said a survey had found that low-income consumers in particular were unsophisticated in the market place and unaware of their rights and responsibilities. 28/12/92

The need for more guidance to consumers on how to obtain product knowledge and where to search for information had also become clear.

As a result of the survey, the Consumer Council would revise and update its information brochures and guides and was planning educational seminars.

The editorial said consumer education programmes should stress the benefits of using available information.

Property faces glum prospects

BDay 28/12/92

(30)

PETER GALLI

THE next year is unlikely to see any impovement in the tough conditions experienced by the commercial and industrial property markets in the past year, leading economists and market sources say.

The failure of the local economy to show any signs of a recovery, combined with the prospect of little growth next year and the likelihood of a continued world recession, hold little short-term hope for the industry.

Economists have said that while the next 12 months will be another difficult period for the industry and property players will have to continue to tighten their belts, there is some light at the end of the tunnel.

"Indications are that the market will start to turn in 1994. The property market follows the economy and will thus be dependent on positive developments there," property economist Neville Berkowitz said.

The present general oversupply of office space was expected to continue next year and an improvement was likely only in 1994, he said.

Rode Report editor Erwin Rode said the past year had been characterised by a substantial drop in demand for office accommodation and the resulting oversupply of space had placed rental levels under pressure.

Mortimer Property Group MD Paul Maddison said over the past year the commercial market had shown absolutely no rental growth. The outlook for next year remained bleak as there were no fundamentals or emerging demand to stimulate rental growth.

Anglo American Property Services (Ampros) chairman Gerald Leissner agreed. He said rents in the commercial market had generally fallen in both nominal and real terms.

"Tenants whose long leases are maturing now are renegotiating their rental levels and these are invariably lower than they had been paying before the lease expired," he said.

Office and industrial tenants were the only people benefiting from the present economic downturn and were taking advantage of the oversupplied markets to get the best deal possible.

As a result, landlords had been forced to offer a variety of incentives other than lower rentals to lure prospective tenants.

The war on rent-free periods had gained momentum when Ampros announced it was offering new tenants 30% off their net rent, in certain buildings, for the first 30 months of a five-year lease signed before December 30. However, the discount excluded operating costs and rates, and lease escalations were believed to be higher than the industry average.

But, in some cases, landlords were keeping space empty rather than finance the relocation and alteration allowances demanded by many tenants, who also wanted to commit to shorter leases.

Developers and investors had also been forced to look for options to traditional markets. The buzzword was niche markets — identifying new growth areas and keeping ahead of the competition.

Health care, smaller office buildings offering corporate identity and neighbourhood shopping centres were all possible growth areas.

The construction industry also took a battering this year as building levels dropped and competition for existing work became increasingly cutthroat, with many players tendering at breakeven point or below.

Credit Guarantee economist Luke Doig said earlier in the year indications were that close to 300 building and construction companies would go to the wall by the year-end.

Functional goods buoy festive sales

(30)

ROBERT WICKS

MOST major retailers have reported a good Christmas sales period, with some companies posting figures well above expected levels.

Shoppers, as retailers predicted before Christmas, opted for more practical goods. Retailers said this would allow for a buoyant sales volume but lower margins.

Retailers estimated that sales would be up by between 10% and 12% in rand terms for the December period.

However, Edgars public affairs director Fred Haupt said the group's stores (Edgars, Sales House and Jet) had all achieved budget, with Sales House performing far better than expected.

"There has been a 20% improvement on last year's figures and we are very pleased," he said.

Haupt said the fact that Christmas was on a Friday had boosted the group's sales tremendously. "Although this year was no exception to the Christmas rush starting later each year, shoppers had a whole week in which to purchase their goods."

OK Bazaars operations director Norman Nunan said the company had fared better this year than last in the period leading up to Christmas.

"The furniture, household appliances and sound departments fared well and food was able to hold its own," said Nunan.

He said the four days before Christmas had proved to be a powerful selling period.

Shoprite-Checkers consumer affairs director Adele Gouws said the group had enjoyed a buoyant festive season.

"Spending on luxury items was limited and consumers were rather looking to value for money in the food and grocery lines, as well as economical gift items," she said.

Clicks MD Trevor Honeysett said the group had enjoyed a very comfortable Christmas sales period. Both major subsidiaries, Diskom and Musica, had posted above-budget sales figures.

He said there was a definite trend to greater added value and practicality in gift giving, which suited Clicks well.

CNA CE Ian Outram was happy with sales figures, which had met expectations.

Dion CE Jannie Els said the group's results over the Christmas period had been fair. Sales of major appliances such as televisions and videos had been poor as consumers opted for smaller items.

BDay 29/12/92

SBDC seeks cash from businesses

(NBBA) ANDREW KRUMM (30)

THE Small Business Development Corporation (SBDC) has appealed to financial institutions to lend it at least R400m in "petty cash" to create tens of thousands of much needed jobs in 1993.

SBDC director Dirk Conradie said yesterday job creation was the top priority of the SA economy. 610/m

The R400m required made up about 1% of the projected R40bn cash flow in the long-term insurance and pension fund industries in 1992. 29/12/92

Conradie warned that should institutions not assist freely in job creation now, they might be forced to do so in future. "Asset prescription by a new government would be a pity, since the enforced prescription of investments will restrict the operation of the private sector," he said.

Conradie said the establishment of employment opportunities was virtually ignored by long-term insurers and pension funds due to their seemingly narrow focus.

"It is unbelievable that the major creators of capital in the private sector have not woken up to the fact that it is in their long-term interest to assist job creation."

Compared to the potential contribution from long-term insurers and pension funds, banks had a small role to play.

He said that by lending R400m to the SBDC at market-related rates, these institutions could help create nearly 40 000 jobs in 1993 — and generate a return.

Optimism as SA consumers reduce debts

GRETA STEYN

CONSUMERS' efforts to reduce their debts were creating a sound basis for a recovery in private spending, Deputy Reserve Bank Governor Jaap Meijer said yesterday.

Figures in the Quarterly Bulletin show consumers saved more as they cut back on their debt burden. The ratio of personal savings to disposable income rose from less than 1% in the third quarter of 1990 to 3,5% in the third quarter of this year. There is further evidence of individuals' reluctance to add to their debt burden in the monthly statistics on money and banking — credit extended to the private sector is rising at an annual rate of less than 9% against about 18% a year ago.

Meijer saw the reduction in consumers' debt burden as a positive factor for the economy next year, but cautioned against expecting fireworks. "We do not expect an increase in private consumption spending next year, but rather a slowdown in the rate of decline. Consumption spending should bottom in 1993."

He said other factors that should brake the fall in spending were pent-up demand for durables and more normal demand for non-durables.

He described the continued decline in consumption spending this year as "highly unusual". Private consumption spending fell by an annualised 3% in the third quarter of this year.

The Bank expected moderate economic growth next year, Meijer said. However, robust quarterly growth rates would be required to bring the level of GDP back to where it was at the beginning of 1992.

The Bank is understood to have scaled down its growth forecasts for next year from almost 2%. Meijer did not want to disclose exact figures for forecasts.

The key economic variable for next year would be the 1993/94 Budget, Meijer said. SA's longer-run economic health required a drastic reduction in the fiscal deficit, but short-term pressures would create problems in meeting the challenge.

Meijer said the Bank accepted that a drastic reduction in the deficit to 3% of GDP from its present levels was "out of the question".

● See Page 3

BD 29/12/92

Encouraging Christmas sales brighten outlook

STAR 30/12/92

By Stephen Cranston 30

With Christmas sales up to expectations, everything points to a marginal improvement in the economy in 1993, says Pick 'n Pay MD Hugh Herman.

Herman says the group achieved at least some volume growth, although there was more conscious buying of goods offering value for money.

"The usual Christmas gifts were bought, but many people had less money to spend," he says.

Merchandise

Game merchandising director Barry Clements says the chain's sales were ahead of last year's, but lower than expected.

He says there was a move towards more basic merchandise, with many back-to-school items being bought as Christmas presents.

Clements says there was a swing to credit, with Game's in-store card accounting for 20 percent of purchases and other credit cards for a further 25 percent.

Sales of toys were disappointing, but clothing, sports goods, CDs and housewares sold well. Stationery had an outstanding season.

Sales for most departments were 15 percent to 18 percent up on last year.

The predominantly credit-based Edgars group was among the strongest performers of the season, increasing sales by 20 percent on top of an 18 percent increase the previous Christmas.

Public affairs director Fred Haupt says that Sales House showed the strongest growth in the group, with Jet also showing significant improvement off a low base, and Edgars more than holding its own.

He says that as Christmas fell on a Friday there were four clear shopping days beforehand, whereas last year when Christmas was on a Wednesday shopping was crammed into two days.

OK Bazaars operations director Norman Nunan says the season was disappointing, with sales of clothing and housewares particularly poor. The Eastern Cape proved to be the quietest region.

The number of feet going through the stores was consistent, although they came in a lot later.

Purchases tended to be smaller, with a greater emphasis on the practical.

Low-priced toys and tricycles, which are popular with the OK's C and D income group target market, remained popular.

Furniture

Nunan says, however, that furniture and appliance sales held up well, and that there was little buying down.

Large items such as double-door fridges continued to sell well.

At Dion, sales of big-ticket items were no great shakes, according to MD Jannie Els.

But there was good support for smaller gift lines such as CDs and do-it-yourself goods and stationery. It was a fair Christmas overall for Dion, he says.

Els says that stores in shopping centres such as Westgate, Boksburg and Port Elizabeth did better than free-standing stores and that there was a definite trend towards shopping centre purchasing.

Shoprite Checkers consumer affairs director Adele Gouws says the group enjoyed a buoyant festive trading season, despite the downturn.

The group geared itself to supplying consumer demand for the lowest prices on quality purchases.

Spending on luxury items was limited, with consumers rather looking to value for money in the food and grocery lines, as well as inexpensive gift items.

Popular items were cheaper toys and gift sets. In the food line, shoppers preferred chicken, Cornish hens, turkeys and fish.

In its first Christmas since the merger of the two chains, Shoprite Checkers stocked a wide range of festive fare at competitive prices.

Together with special offers, it was able to offer a better price advantage than usual.

Handgun licence applications soar

30

STEPHANE BOTHMA

APPLICATIONS for gun licences have increased this month by almost 25% compared with December last year as South Africans attempt to secure their personal safety. B1004 31/12/92

The bulk of applications, 16 237 from December 1 to 27, was for handguns to be used for self-protection, an SAP spokesman said yesterday. In December 1991 12 818 applications were received.

During the period October 1 to December 27 alone, almost 50 000 licence applications were received, he said.

Police could not comment on the number of licences issued, but gun dealers reported the number of applications rejected had dropped significantly over the past year.

"Two years ago an average of 20 applications a month were not granted to customers who had applied through our store. But in recent months the number has dropped to about five a month," one of Johannesburg's largest dealers said.

Although the amount of money spent on firearms had not increased, more of the cheaper firearms were bought, he said.

Smaller calibre handguns, bought to be carried on the person, were by far the most popular, but inquiries for shotguns were received regularly.

"The trend a few years ago of buying a large handgun to be kept in a safe has shifted to the purchase of pistols and revolvers which can be carried in holsters.

"People who in the past vowed never to carry a firearm now constitute the majority of our customers. They are all buying arms after falling victim to criminals," the dealer said.

Trade in other security equipment, such

☐ To Page 2

Handguns

B1004 31/12/92.

30

☐ From Page 1

as burglar and other alarms, security lights, self-defence sprays and even bullet-resistant clothing, was also steadily increasing, dealers said.

And retail stores in suburban shopping centres offer full riot gear, including helmet, gas mask, shield and batons. They report that business is good.

"Although it is rare for an individual to walk into our store and purchase riot gear, the interest in bullet-resistant clothing is high," a Bramley security equipment dealer said.

Full riot equipment was sold mainly to security companies and private security personnel. "But, we do not question anybody about the motive for the purchase and will supply anything that is within the law," she said.

The law prohibitedthe sale of automatic firearms and teargas, dealers said.

Although it was difficult to obtain a licence for semi-automatic weapons, these were available for sale, they said.

COMMERCE – GENERAL

1993

JANUARY – MARCH.

Festive sales buoyant, say retailers

ARG 2/1/93

Business Staff

JOHANNESBURG. — The recession didn't keep South Africans away from the shops at Christmas, although many people cut down on luxury purchases. Most retailers reported buoyant sales.

Pick'n Pay MD Hugh Herman said the group achieved some volume growth.

"The usual gifts were bought, but many had less to spend."

Game merchandising director Barry Clements said sales in most departments were up 15 percent to 18 percent. There was a move towards more basic merchandise, with many back-to-school items being bought as presents.

There was a swing to credit.

Sales of toys were disappointing, but clothing, sports goods, CDs and housewares sold well. Stationery had an outstanding season.

The predominantly credit-based Edgars group increased sales by 20 percent on top of an 18 percent increase the previous Christmas.

OK Bazaars operations director Norman Nunan said the season was disappointing, with sales of clothing and housewares particularly poor.

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Dion MD Jannie Els said there was good support for smaller gift lines such as CDs and do-it-yourself goods and stationery.

Acquisitions help Wooltru turn around

(30)

STAR 19/2/93

By Stephen Cranston

In spite of what CE Colin Hall describes as the most dismal trading conditions for some time, Wooltru has started to climb back after a year of declining profits with a 17 percent increase in earnings per share to 192c.

Profits before tax for the first six months to December 1992, rose 19 percent to R127,2 million on a turnover increase of 52 percent to R3 billion.

Much of this increase is accounted for by the acquisition of Drop Inn and Shield Trading; without them the comparable sales growth was 13 percent.

The interim dividend was maintained at 77c, as the group intends to increase dividend cover to three times or more in the future.

The balance sheet was stronger, with a 30 percent decrease in borrowings to R205 million.

Hall says the group is well-placed to acquire retail businesses which come on the market, but says that at a time when the economy is being restructured Wooltru does not have a pro-active acquisition policy.

There is still speculation that Wooltru will look to buy Dion from the troubled Rusfurn group if it comes back on the market.

Speciality Retail Group (SRG) again performed best of the operating com panies, registering a sales growth of 19 percent and increasing market share.

Truworths sales rose 20 percent with Truworths Man again showing impressive growth and Topics increased sales by 18 percent.

Organic growth

Hall says that SRG still has considerable potential for organic growth. The pleasing result was the reward for good control at Truworths of operating expenses and markdowns, a reduction in interest payments and well planned stock inputs.

Cash chain Woolworths, which suffered most in the recession, showed a profit increase for the first time in 18 months for the second quarter. Sales for the full six months rose by 8 percent.

Hall attributed the reversal in the downward trend to the impact of the new strategies, structures and management introduced at Woolworths since 1991.

"The only way to achieve high quality at realistic prices is to make a lot of the same item, which means focusing on classical, core merchandise.

The original core of Massmart, Makro and Makroffice increased sales by 12 percent. Earnings were helped by tight control of assets and working capital throughout Massmart, together with the improved performances generally in Makro and Makroffice and first time contributions from Drop Inn and Shield.

Hall says there is still potential for operational improvement and profit growth, especially in the case of Drop Inn.

He says that the recent acquisitions have substantially increased Massmart's buying power and there are opportunities for further synergies. For example, Shield franchisees would be able to source general merchandise from Makro stores.

Although comparable sales for the group for the first seven weeks since December were up 19 percent, Hall expects consumer spending to remain weak for the second six months.

WOOLTRU FM 26/2/93

Climbing back

30

The 17% improvement in Wooltru's interim earnings caught the market off guard; they were not expected to be so good.

In one form or another, signals about a company's progress filter through to the market. In this recession, these signals are sometimes puzzling rather than clear. While analysts were hoping that Woolworths — Wooltru's main profit earner until the poor 1992 year — would recover soon, there was little expectation that its profitability would improve much while the recession continued.

Group sales rose 52%, largely because of the inclusion of recently acquired Shield Trading (*Fox* September 11, 1992) and the comparatively small Cape-based liquor re-

Wooltru's Hall ... *consumer spending still weak*

cont

FOX FM 26/2/93 (30)

tailing chain Drop Inn. Otherwise, there was no spectacular increase.

The performance of Specialty Retail Group (SRG) remains outstanding. With the decline in Woolworths' 1992 earnings, SRG became the biggest divisional profit contributor. Sources say SRG, consisting largely of Truworths and Topics, is maintaining this position. Its operating profit has grown at least as strongly as its sales growth of about 20%.

The larger Truworths and, to a lesser extent, Topics, together with the boutique chains in SRG, met consumer demand for fashionable merchandise and controlled expenses and stock, applying minimal markdowns. Operating margins were at least maintained. Trading exceeded expectations during the last two weeks of December.

Excluding Shield and Drop Inn, Massmart — essentially Makro — lifted sales 12%. This generally reflects the acceptance of the new Makro wholesale outlets developed over the past three years. It seems Makro's operating profit grew much faster than sales. That was easy because it came off a small base. But it is a favourable development which, if sustained, indicates Massmart will become an increasingly important

SALES BOOST

Six months to	Dec 31 '91	Jun 30 '92	Dec 31 '92
Turnover (Rm)	1 976	1 828	3 003
Pre-tax profit (Rm)	106,7	58,0	127,2
Attributable (Rm) .	57,3	86,1	67,0
Earnings (c)	164,5	98,8	192,0
Dividends (c)	77	93	77

contributor to Wooltru's operating profit when the economy improves.

Woolworths' sales performance was mixed. Its market share of clothing, footwear and textiles declined on a sales increase of only 6%; foods held market share with 6% growth.

Still, Woolworths' overall 8% sales growth is encouraging. It marks the probable end of an 18-month downward trend. Understandably, the sales growth is not yet accompanied by an equal growth in operating profit. Management is working at controlling costs, though they reckon it will take some time before the merchandise range and operating profitability reach the targets set.

Wooltru CE Colin Hall notes that while comparable sales for the first seven weeks since December are up 19%, consumer spending is expected to remain weak for the rest of the financial year.

Even so, if each division's second-half sales are as good as those of the first half, operating profit and attributable earnings could show better growth by year-end.

Investors have already taken note of this. The share was trading this week at R60, well above the 12-month low of R41 reached last August. It has gained 450c since the results were released.

Gerald Hirshon

Wooltru may issue R100m in paper

TIM MARSLAND (30)

WOOLTRU was considering issuing unsecured commercial paper worth up to R100m on the money market, Wooltru Finance MD Jon Lavies said yesterday.

The move could make Wooltru the first listed company to do so, sources said.

Lavies said the firm had already issued about R40m of secured commercial paper.

In essence, commercial paper is an IOU issued by a company to a lender and is similar to instruments such as bankers' acceptances with fixed or variable interest rates. Under new rules gazetted in January, companies meeting certain requirements, such as holding net assets of more than R100m, can issue paper that does not have to be endorsed by a bank. B/DAY

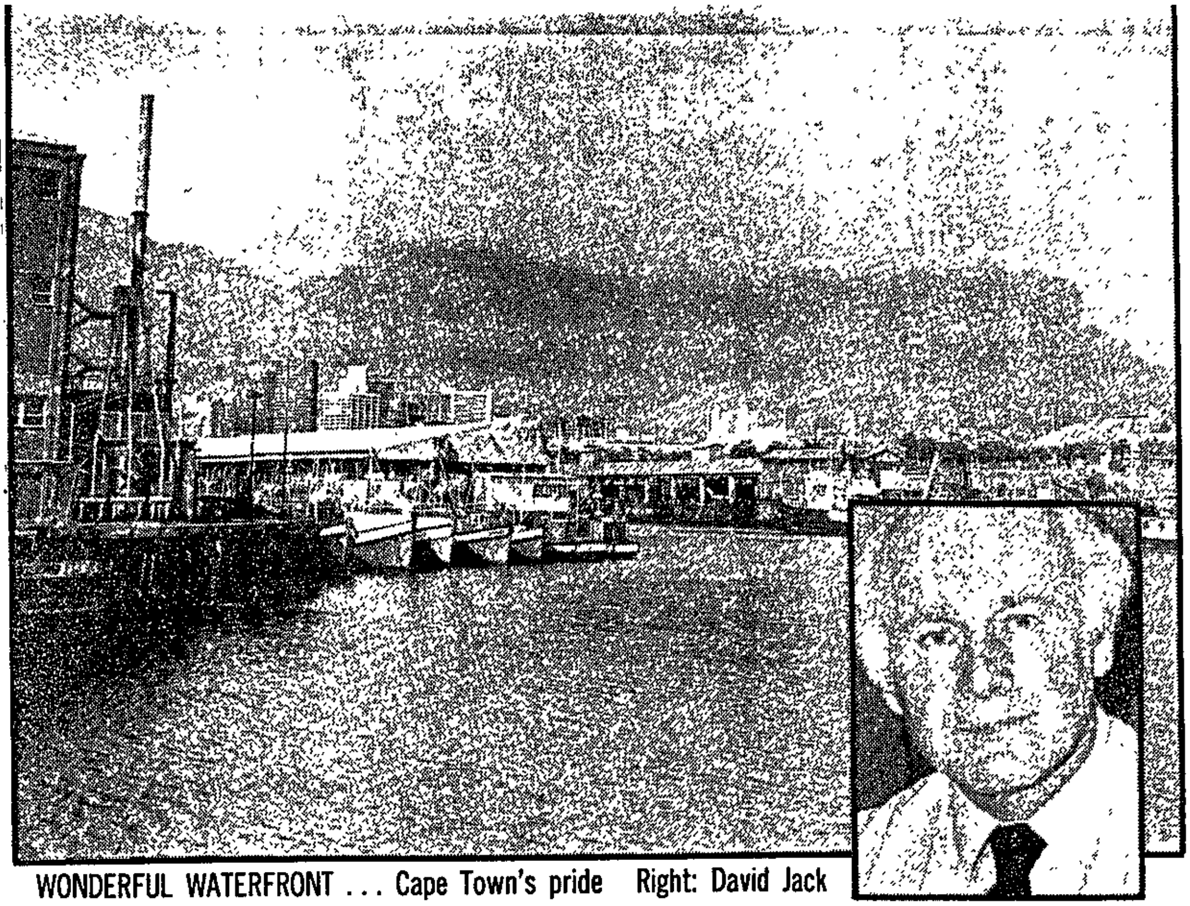
This means funding costs are reduced, because having a bank secure debt can be costly. The paper has also to be issued in denominations of at least R1m. 11/3/93.

Lavies said it was pointless for larger firms to have banks — which could have smaller asset bases — endorse their paper.

The paper could be issued at a rate similar to the non-liquid bankers' acceptance rate — currently about 12,00%.

Lavies said Wooltru had held talks with institutions and the response had been favourable. But there was no urgency surrounding the possible issue, he added.

Wooltru already had a money market operation, as it managed its debt on a daily basis, so few changes were needed to issue the paper. The paper would have maturities of up to 12 months, he said.



WONDERFUL WATERFRONT ... Cape Town's pride Right: David Jack

All is not quiet on this Waterfront

(30)

S Times (Buss) 3/1/93

South African business has had its share of failures in recent years. JEREMY WOODS reports on a runaway success: Cape Town's Waterfront

ONE night last week Mervyn Kushner's Greatest Little T-Shop In The Whole Wide World managed to close its doors in Cape Town's spectacular new Waterfront development at 3.30am, having traded hard all day and most of the night.

"The customers had been coming at us in waves all through the day and most of the night. The staff were exhausted and we were running out of stock again," said a tired but elated Mr Kushner.

"We tidied up the shop, and by mistake one of the staff left the doors open when he went home. In they came again, buying T-shirts, shorts, shirts — you name it."

Mr Kushner says his shop has a stated policy of never closing as long as customers still want to buy.

"We finally got the doors closed at 5.45am — just in time to restock before we opened again at nine," he said.

Mr Kushner, father of six, says his waterfront shop has "exceeded my wildest expectations and, believe you me, I can dream".

"I've been in this business 30 years, but I've never seen retail demand like it — it's phenomenal."

Mid-afternoon on Thursday and there's not a seat to be had inside or out at the chic San Marco ice-cream and coffee house.

The tired young manager was fighting to get the stream of orders out to his clients.

How's business?

"Please, man, I haven't got time to stop and talk now. Try me one evening about five. Maybe things will have calmed down."

"It's the same all over the Waterfront," says David Jack, managing director of the Victoria & Alfred Waterfront Company. "People are doing fantastic business."

About two million people will pass through the Waterfront this month alone, all of them clocked and analysed on the Waterfront's electronic metering system.

There can be little doubt that Cape Town's Waterfront is an amazing success.

MOST nights the action around the harbour is moving into top gear about midnight. Live music is bopping across the water from the pub at Bertie's Landing, while disco music beats out from the Sports Cafe, where teenagers queue up for half an hour to get in.

Families, with babies asleep in backpacks, wander round with the crowds of tourists from "up country" (no one mentions the word Transvaal in Cape Town at the moment), through the brightly lit malls and piazzas, window-shopping or looking for somewhere to eat.

Shops are selling, tills are ringing and most of the restaurants are full. On New Year's Eve, some made cover charges of R35 a head.

Sitting amid all this spending having a late-night drink, it is easy to forget that South Africa is at the bottom of its longest recession this century.

Surprisingly, solid support for the project came from a corner of the economy not renowned for its swift, incisive, entrepreneurial flair.

The V & A Waterfront Company is a wholly-owned subsidiary of Transnet, which is owned by the state.

"One of the reasons why this development has worked so well," says Mr Jack, "is the flexibility of the Transnet management and its positive response to what could be considered outlandish requests."

Last week there was a jazz-and-blues concert for 4 000 people in a working drydock. By next morning, when workers appeared for work, there was no sign of the concert.

"That's the sort of co-operation we get," says Mr Jack.

And it was that way right from the start.

"Transnet thought it would have to put in seed capital of R25-million over several years," says Mr Jack. "We said: 'No, it's R60-million over 18 months.' We did our homework, we showed it was a viable concern and we got our money."

TRANSNET has so far put R200-million into the first and second phase of the development, and this has been matched by a further R200-million from banks and other private-sector sources.

"Most of these funds should be repaid within three years," says Mr Jack. "It's looking a very good investment."

If Transnet and Portnet can turn disused, oily docks into some of the hottest space in the country, what other assets and opportunities are sitting idle, waiting for the kiss of life?

The Waterfront is a splendid success story. Now if only this kind of new thinking can be applied to the country as a whole.

WONDERFUL WATERFRONT ... Cape Town's pride Right: David Jack

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Nail-biting Christmas rush boosts retailers

BIDAY 5/1/93.

(30)

MARCIA KLEIN

BETTER than expected Christmas retail sales would enable some retailers to show real growth for the period.

Major retailers said yesterday that sales had picked up significantly in the "nail-biting" last few shopping days, and this would provide a slight boost to their budgets for the year.

But most warned that although there were indications that the economy would pick up over the year, trading conditions in the retail sector would remain extremely difficult on the back of high VAT, fuel levies and interest rates and increased unemployment.

Edgars executive director Fred Haupt said the group's sales were 20% up on the previous year, with Sales House and Jet Stores exceeding expectations and Edgars meeting its forecasts.

Haupt said Jet's sales had been excellent in a cash-only market, and it was on "a turnaround trail".

But he warned that trading conditions in 1993 could be a repeat of the previous year. There were few indications that 1993 would be a better year, and retailers would still battle for sales.

Retailers wishing to keep their heads above the water would have to work on their marketing and on improving their focus, he said.

Growth

Amrel MD Stan Berger said there had been an improvement in sales across the board in the last two months.

Although he was waiting for final figures, he said that Christmas had been better than last year.

CNA CE Ian Outram said CNA had met its targets, and had achieved real sales growth over the Christmas season. He said budgets for the current year would be set later this month, but he was "fairly bullish" about the first six months, which would be measured off a low base of the previous year.

He added that he was not pessimistic about 1993, as there were signals that inflation was under control.

Pick 'n Pay MD Hugh Herman said the Christmas period was reasonable, and the last two weeks were quite strong as people deferred shopping until the last moment. Although there were customers in the stores, they were buying less with their reduced disposable income.

Herman said there were indications of a slightly better economy in 1993, and Pick 'n Pay was planning for "a somewhat better 1993".

Retailers were divided on the effect of shrinkage over the Christmas period. Some said shrinkage was lower as a percentage of sales due to the significantly higher sales figures.

But others said December was always a high-risk month, with a larger amount of people in the stores and pressure on employees in the stores in terms of ringing up goods correctly and monitoring the movement of goods.

Key factors favour retail property growth

STAR 6/1/93. (30)

There are many cries of an "overshopped" retail property market in South Africa, but this is generally true only of certain micro-sectors.

There can be little doubt that the key factors influencing retail development are positively disposed.

As far as politics are concerned, there is obviously still uncertainty, but the dismantling of apartheid and in particular the Group Areas Act is especially significant when one considers the likelihood of retail development in primary residential areas, such as black townships previously not provided with shopping facilities.

And, while the economy is likely to continue to be depressed for some time, one must remember that development is essentially an entrepreneurial activity and that the small business owner has a vital role to play in urbanisation.

The ongoing movement of people to the country's major centres is unlikely to decline, which will bring opportunities for development, albeit with caution.

Specific needs

As our cities change character, the retail sector will have to adapt, creating a need for carefully planned developments aimed at specific needs.

Run-down areas will have to be revitalised, and then increasing residential take-up will need to be met with more facilities and services.

On the financial side, South Africa still suffers from an under-supply of major tenants.

However, the existing groups are expansionist and are, almost without exception, trying to achieve entry into and greater penetration of the lower end of the market.

In addition, most retail groups need to add trading area to facilitate growth in their own financial programmes.

Meanwhile, the informal sector has been growing at an enormous rate.

In the short term, this may have a negative influence on established traders, but there is no doubt that the trend is generating more shopkeepers, who will eventually strengthen the formal retail tenant market.

Pat Flanagan, managing director of RMS Syfrets, is confident that retail property development will proceed apace this year.

Outlook '93

Many factors, including the availability of institutional finance, are positive.

But there are also a number of warnings to be heeded.

For example, developers should beware of overbuilding — providing facilities too big for their target markets — or creating centres where none can demographically be justified.

Also, they should not provide too many shops within one centre or make the existing stores too large.

These problems can be avoided by conducting proper research — and not misinterpreting the research recommendations.

Greater wealth

The affordability of rentals in the hands of traders are also not to be ignored. Greater urbanisation does not necessarily mean greater wealth.

Demand is still likely to be led by food, followed by pharmaceuticals, clothing, recreation and then furniture — which means rental affordability for the small traders will not be large.

But we must take great care not to compromise on quality of facility.

All consumers are demanding good quality environments, which cannot always be at the rentals tenants are able to afford. As a result, developers are going to be hard-pressed to "balance the liability books".

All in all, though, 1993, looks set to be an interesting — and active — year, especially with regard to the developments now in the melting pot.

Watch out for urban renewal projects, for developments in black residential areas and for new activity among the existing major retail groups.

New year bomb for white ANC man

W/Mail

8/1-14/1/93

30

By SHADLEY NASH: Port Elizabeth

THE new year started badly for Malcolm Hepburn, the only white member of the African National Congress in the conservative Karoo town of Patensie. An explosion just before midnight on Sunday woke Hepburn and his family. A minute later a second bomb ripped through his store, less than 100m from the farmhouse.

The fire was put out, but clothing, food and other goods were destroyed. The police believe commercial explosives were used, fuelling speculation that the bombers were rightwingers.

Hepburn, known as Qwhathi to his Xhosa-speaking friends, believes he was targeted because he is an ANC man. Now he fears for his life.

Hepburn, 62, and his wife Lorraine, 60, moved to his 12-hectare farm in 1986. They found their white neighbours unfriendly. But their trading store, on a road which links the farm to Patensie's black township, was successful.

Hepburn, who grew up in the Transkei, was christened Qwhathi by an old friend with whom he spent time at an initiation school. A supporter of the then United Party, he shifted his allegiance when Transkei became independent and his family were forced to sell their property. In Patensie, Hepburn quickly made township friends.

"In 1991 when VAT was introduced a consumer boycott was launched and my business suffered badly," said Hepburn. He decided to attend a township meeting to discuss the boycott. "The chairperson wanted to know who invited the 'boer' to the meeting." But he demanded to be heard, and later contacted the ANC's Port Elizabeth office.

By Christmas the boycott had been lifted and he was asked to join the ANC. Today he is an executive member of the local branch. The attitudes of Patensie's whites towards him hardened when he joined the local civic and began campaigning with township residents. "It was after one meeting with the council that a councillor warned me that I was treading on dangerous ground."

When a second consumer boycott was launched late last year, Qwhathi store was the only white-owned shop that thrived. But Hepburn began receiving death threats. An anonymous caller said: "You are going to be burnt out before Christmas." Christmas passed peacefully, but he spent many nights patrolling the farm.

Despite the bomb attack, Hepburn remains unwavering in his support of the ANC. This week he began fortifying his home and what remains of his store. The mood among politicised youths in the township, who have been angered at the bombing, was restive. — Pen

FM 8/1/93

RETAILING

Pricing the war

30

UK supermarket chains, with margins the envy of food retailers worldwide, have embarked on an aggressive marketing campaign and they are prepared to pay for a larger slice of the market. A high-profile move was made last week by the biggest chain, Sainsbury, which promised to reduce prices on 750 lines — on some items by as much as 50% — for an unspecified period.

Sainsbury says it beat its demanding sales budget in the run-up to Christmas and the increased profits generated are providing ammunition for the company to cut prices selectively and expand market share.

The campaign has been carefully hyped, say analysts, to extract the maximum publicity and increase on volumes from carefully chosen price concessions. It is expected that suppliers will bear some of the price cuts in the hope of higher sales.

The publicity has not all been favourable. The London *Sunday Times* points out that, according to figures released by the chain on

continue

FM 8/1/93 30

Saturday, only grapefruit, at 15p each, came close to being halved in price. "Only 24 out of about 100 items highlighted by the company as major bargains were cut by more than 25%. Of those, only four were branded products that are less profitable for retailers than their own-label goods."

The newspaper says Sainsbury refused to provide it with a complete list of its discounted items and "refused to reveal what impact the cuts would have on a typical shopping basket of 35 everyday goods chosen by the Consumers' Association."

The chain's principal competitors, Tesco and Safeway, responded with details of their own January promotions, which they say had been planned some time ago. Tesco's offer related to more than 1 000 lines with cuts of at least a third on more than 100 items. Safeway says it already had 1 000 special offers and will launch a New Year promotion which includes 50% off some basic items.

All three companies deny starting a full-blown price war, reminiscent of the Seventies. Sainsbury made a similar move last year at the same time, when sales are traditionally slow. It succeeded in dominating headlines and prompted speculation of a price war that never materialised. ■

Metkor loses foreign edge

KELVIN BROWN (30)

INVESTMENT holding company Metkor's competitive edge in foreign markets was being eroded through unacceptable trade union action, high wages and low productivity, chairman Floors Kotzee said in his annual review. 8/1/93

Slow economic growth overseas and the current economic and political situation in SA would make trading conditions difficult in 1993.

In the financial year to end-September turnover increased marginally to R3,23bn from R3,22bn. Many of the companies in the group recorded poor results in 1992.

Several divisions in Dorbyl reported losses, with Wispeco Holdings and Metkor Industries falling further into the red. Restructured Usko managed to record a small profit. 12/1/93

Metkor should benefit from the disposal of loss-making Metkor industries and from the recapitalising of Usko, Kotzee said.

Parkmore residents oppose development

(30) STAR 13/1/93.

By Monica Oosterbroek

Hundreds of angry residents voted unanimously against any further business development in the quiet Sandton suburb of Parkmore at a noisy meeting last night.

More than 500 people packed into the Montrose Primary School hall to object to plans to expand and develop a small existing shopping centre in Olympia Avenue.

Residents also voted unanimously against plans to demolish five Holt Street homes to make way for a garage and petrol station off the William Nichol Highway.

Sandton town councillors Bruce Burns and Willian Hefer made it clear at the meeting that they opposed the two developments but said every application had to be considered on its merits.

Sycom's shopping-centre focus pays off

JOHN DLUDLU

(30) BDAY 13/1/93

SYFRETS and Commercial Union Property Fund (Sycom) would continue investing in well-located shopping centres — a strategy which increased its earnings last year in a declining property market, UAL Property Fund Managers MD John Peters said in Sycom's annual report.

Sycom's portfolio consists of 27 office and retail properties, managed by UAL Property Fund Managers.

Peters described the company's performance last year as satisfactory considering the deterioration in the property market, weak economy and the incidence of bad debts.

The company increased its net income to R50,4m from R41,8m in 1991. This translated into 77,80c a unit — an increase of 3,4% over the previous year.

In the year to September 30 1992, Sycom continued its strategy of weighting its portfolio towards the retail sector, especially by participating in well-located centres in Johannesburg, Cape Town and Pretoria.

In line with the strategy, the company sold Bathgate (Pty) Ltd, which owns the Bathgate Building in Rosebank, Johannesburg, for R2,07m and reached agreement in principle to acquire a 22% undivided share in Somerset Mall, a regional shopping centre in Somerset West.

Construction of the centre was due to be completed in September this year and was anchored by Pick 'n Pay, Woolworths and Edgars. The cost for Sycom was expected to be R28m.

However, Peters expected a decline in Sycom's earnings this year, following a "significant reduction" in interest earned as a result of lower interest rates and a progressive commitment of capital to property investments.

CBD may well return to its former glory

STAR 13/1/93 (30)

Continuing migration from the Johannesburg CBD was one of the main forces driving the property market on the Reef during 1992.

Movement from the city centre had the dual effect of stimulating demand for office space in decentralised nodes and creating vacancies in prime office building in the CBD area at extremely reasonable rentals.

Reduced take-up and the resulting lower rental base means there is now excellent value to be had in the CBD.

The huge infrastructure available to users in the city centre adds to its attractiveness.

We therefore expect that, in the event of an economic upturn and a boost for the small business sector, take-up in the CBD should improve particularly as overheads, including rentals, increasingly come under the microscope.

Of the major decentralised nodes, Rosebank, Randburg and some parts of Sandton such as Woodmead, Epsom Downs and Wierda Valley were in greatest demand in 1992.

There was less take-up of office space in areas such as Bedfordview, Parktown, Rivonia and Braamfontein than in previous years.

Another feature of the market was a discernible movement out of first-generation office blocks in decentralised areas to new developments further north.

An encouraging trend was the entry into the market of international companies.

Many of these were airlines that took office space in the Illovo area, owing to its prime location relative to the major commercial centres on the Reef.

Overall, the number of new office developments was sharply down on 1991, with developers reacting negatively to the depressed market and anticipating slack demand for additional office space during 1993.

The depressed economy also resulted in reduced demand for office space from business start-ups.

I expect that in the coming year a number of large corporations will finalise major relocation decisions which will become effective in 1994-45.

Les Weil, chairman of the giant JHI brokerage group, outlines factors which will affect the office market in greater Johannesburg.

Outlook '93

Bomb rips West Rand shop centre

Sowetan 14/1/93

Sowetan Correspondent

■ SHOPLIFTERS Attack believed to be revenge for beating of two boys:

A POWERFUL bomb ripped through a West Rand shopping complex early yesterday in what is believed to be a revenge attack for the beating of two young black shoplifters.

One of the boys died in the Baragwanath Hospital two days after the beating on October 1, possibly as a result of the assault.

The Elite Cafe and neighbouring Shorty's Fruit and Veg were completely destroyed and 18 other shops were badly damaged in the 1.10am explosion in Station Street, Randfontein.

Damage amounting to millions of rands was reported but no one was hurt.

Police said a person purporting to be a member of Apla telephoned the police toll free number this morning claiming responsibility for the blast. But police do not suspect the organisation at this stage.

The attack was apparently aimed at the Elite Cafe belonging to Jackie de Sousa.

This was the second blast at one of De Sousa's shops. On January 4 his Zuurbekom shop was badly damaged in a limpet mine explosion.

161 children spent Christmas in jail

Sowetan Reporter

■ 64 'dangerous' kids are still in custody:

Sowetan 14/1/93

A TOTAL of 161 children under the age of 14 spent last Christmas in jail.

A statement from the Deputy Minister of National Housing, Mr Glen Carelse, yesterday confirmed that "between December 1992 and January 7 this year 161 children aged 14 and younger trial were detained in police cells and prisons countrywide".

Sixty-one have since been placed in "alternative care", 43 reunited with their parents and 16 in "places of safety" and two in reformatories.

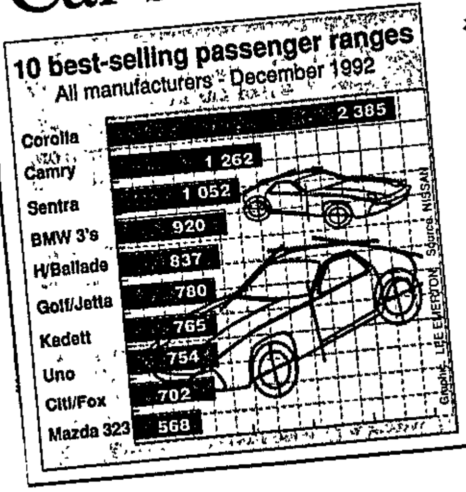
"At the moment 36 cases are being investigated and these children will probably soon be placed in alternative care.

The remaining 64 children are being detained for serious crimes, such as murder and cannot be transferred because they pose a danger to the community," he said.

Car sales stall in December

BIDAM 14/1/93

30



EDWARD WEST

DECEMBER vehicle sales ended 1992 on a weak note after a modest recovery in the previous three months, with annual sales falling for the fourth successive year, the National Association of Automobile Manufacturers of SA (Naamsa) said.

New car sales fell 16,7% to 13 022 units compared with 15 642 units sold in November 1992 and 3,1% when compared with 13 446 sold in December 1991.

Light commercial vehicle sales were 18,3% lower at 6 484 compared with 7 934 sold in November 1992 and 12,7% lower than the 7 424 sold in December 1991.

Medium commercial vehicle (MCV)

To Page 2

Car sales

BIDAM 14/1/93.

30

From Page 1

sales at 202 were 5,6% lower than December 1991's 214, while heavy trucks and bus sales (HCV) increased 13,1% in the same period when 327 were sold.

MCV sales declined 26,8% compared with 276 sold in November 1992, as did HCV sales, down 27,2% compared with the 508 sold the previous month.

Naamsa was optimistic that slightly improved sales of September, October and November would continue into 1993 as early indications from vehicle manufacturers and financing houses suggested January 1993 new car and light commercial vehicle sales had improved considerably.

Toyota marketing MD Brand Pretorius said December's lower sales were no surprise but still disappointing in that they reflected a slight reversal of the improved sales trend in the last quarter of 1992.

Toyota believed the market had bottomed out, which underpinned a more confident outlook for 1993: "Toyota's 1993 car sales forecast is 2,2% higher at 187 000 compared with 182 908 sold in 1992."

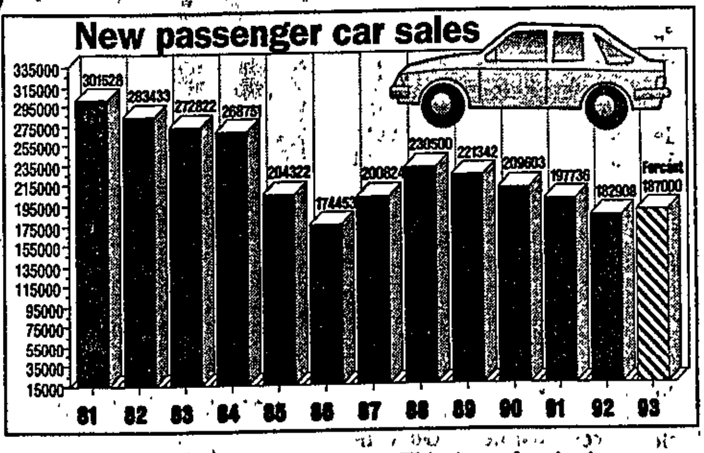
Naamsa also expected a steady improvement in sales in line with an expected modest economic recovery.

Nissan SA marketing MD Stephanus Loubser said it was clear the car market was not yet back on the road to recovery, but there were some positive signs that it could start improving in the third quarter.

New vehicle sales in 1992 were 284 028, 7,8% lower than 1991's 308 120. Naamsa forecast 1993 sales to be 3,3% higher.

A flat 1992 for motor industry

By Sven Lünsche (30)



Car sales fell in 1992 for the fourth year in succession, but the industry is optimistically forecasting a slight improvement this year.

STAR 14/1/93

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show that sales fell to 182 908 units, a decline of over 15 000 units on 1991, and the lowest level since 1987.

Similar percentage falls were recorded by other sectors. Sales of mini-buses and bakkies dropped to 92 429 units (1991: 100 405), medium commercial vehicles to 3 278 (4 127), and heavy commercials to 5 413 (5 807).

The association attributes the decline in sales to the lower level of disposable incomes, reduced corporate investment spending and ongoing socio-political uncertainty.

While car sales in December fell sharply to 13 022 from 15 642 previously, Naamsa is optimistic that the improved sales trend of September, October and November will continue this year.

"Early indications suggest that so far in January new car and light commercial vehicle sales have picked up considerably," it says.

Naamsa foresees a gradual improvement in new car sales this year to about 187 000 units, in line with the expected modest recovery in the economy.

Brand Pretorius, managing director of Toyota SA Marketing, echoes Naamsa's more optimistic outlook for 1993.

"The positive trend in passenger vehicle sales for the last quarter of 1992 provides an indication that the market has indeed bottomed out," he says.

This is underpinning a more confident outlook for 1993 and Toyota's forecast for passenger vehicle sales for the year is 187 000 units, up 2,2 percent on 1992 sales.

The Naamsa figures show that Toyota regained its market share in all sectors, after experiencing a temporary slump following the strike at its Durban plant.

For 1992, Toyota's share of the total vehicle market was 27 percent, followed by Nissan with 17,7 percent, Samcor 17,2 percent, VW 14,2 percent, Delta 10,7 percent, Mercedes 7,2 percent and BMW 5,5 percent.

FM 15/1/93 (30) FM 15/1/93.

CASHBUILD

Recognising the losses

Activities: *Retails building materials for cash through Cashbuild, Buy 'n Build and U-Build outlets.*
Control: *Pepkor 56%.*
Chairman: *C H Wiese; CE: G R S Haumant.*
Capital structure: *21,4m ords. Market capitalisation: R96m.*
Share market: *Price: 450c. Yields: 3,0% on dividend; 7,4% on earnings; p:e ratio, 13,5; cover, 2,5. 12-month high, 500c; low, 260c. Trading volume last quarter, 1,1m shares.*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	3,0	—	—	—
LT debt (Rm)	1,3	1,2	1,1	0,9
Shareholders' interest	0,33	0,29	0,28	0,21
Int & leasing cover .	—	—	76,6	23,8
Return on cap (%) ..	17,4	14,3	15,7	14,9
Turnover (Rm)	242	321	387	426
Pre-int profit (Rm) ...	10,3	13,6	16,1	15,9
Pre-int margin (%) ..	4,2	4,2	4,3	3,9
Earnings (c)	22,6	30,5	32,9	33,3
Dividends (c)	10,0	13,0	15,0	13,5
Net worth (c)	90,2	110,1	121,3	138,5

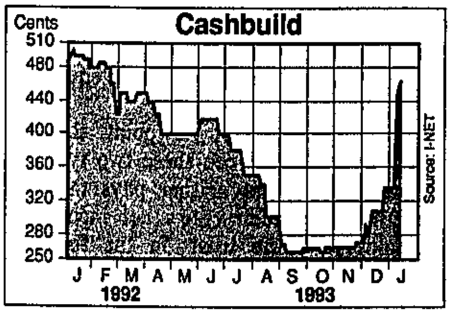
The release of Cashbuild's disappointing preliminary results for financial 1992 in mid-October had little impact on the share price, which had been languishing around 265c on a dividend yield of 5,1%. Over the past six weeks the price has recovered by about 70%, but this is unlikely to be on account of the annual report, in which figures have been restated with favourable effects on year-on-year comparisons.

According to CE Gerald Haumant, the figures concerned now include additional liabilities which have been recognised in the periods in which they originated. These related principally to a change in accounting policy in the treatment of an off-balance-sheet property investment.

Haumant says R10m borrowed from an institution was used to build seven stores. The agreement was that Cashbuild would pay interest annually, with the capital to be repaid at the end of 10 years. The stores in turn pay rent to Cashbuild, but the amount is based on a lower interest rate than was incurred by Cashbuild. Annual rent escalations of 10% will result in breakeven being reached in six years (two have been completed), but until then the property company is making a loss on the plan.

Tradegro was happy with the accounting arrangement; the property company at the time was not wholly owned. When Pepkor became the holding company in October, it insisted that the losses should be reflected in the years they were incurred. This, says Haumant, was behind the threefold increase in finance costs, to R670 000, in the 1992 year.

Preliminary figures, before restatement, showed earnings having dropped for the first time in 10 years, falling 9,5% on 1991. On restated figures, EPS marginally increased to 33,3c, on turnover up 10%. Poor trading conditions resulted in squeezed margins and a 4% decline in operating income, to R15,3m. A lower effective tax rate offset the higher interest bill, resulting in a marginal increase in attributable income to R7,1m (R7m).




Cashbuild's Haumant ... *additional liabilities*

Cashbuild's expansion plans are to go ahead this year, says chairman Christo Wiese. Because the new stores will continue to be financed internally, it was decided to reduce the dividend by 10%, bringing the final payout to 8,5c (10c), a measure taken to protect reserves.

Cashbuild remains the biggest divisional contributor to profit, though Haumant concedes that in terms of return on sales, Buy 'n Build tops Cashbuild, whose market is more mature. He adds that of the new stores planned, focus will be centred on the Buy 'n Build stores.

Trading conditions have been difficult for Cashbuild this year, says Haumant, and it is only since November that sales have turned around.

Because this is not a typical year — to comply with Pepkor's financial year-end the next reporting period will be for the eight months to February 1993 — many of the supply rebate targets will not be achieved. This, in addition to the high fixed costs spread over the eight months, will be adverse for Cashbuild's next results, making it difficult to maintain earnings.

Though the share has offered value in the past, investors may want to wait for evidence that the earnings record is not being unduly curbed by the recession, before committing new funds. *Marylou Greig*

RUSFURN (30)

Plumbing the depths

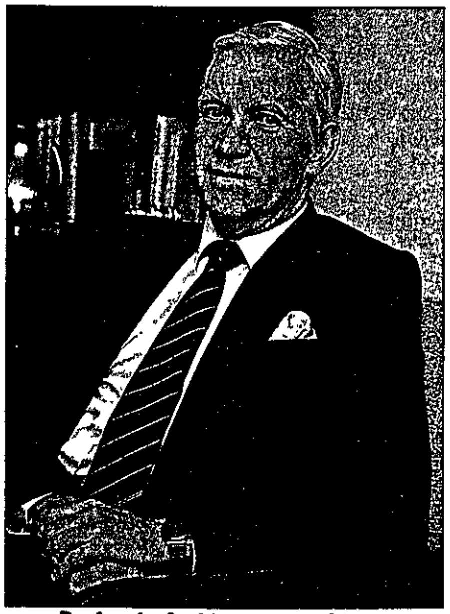
Activities: *Retails furniture, appliances and consumer durables. Finances consumer credit.*
Control: *ABSA 39,3%.*
Chairman: *D C Cronje; MD: K N Jenkins.*
Capital structure: *17,4m ords. Market capitalisation: R2,96m.*
Share market: *Price: 17c. 12-month high, 330c; low, 10c. Trading volume last quarter, 1,3m shares.*

Year to June 30	'89	'90	'91	'92
ST debt (Rm)	—	238	401	267
LT debt (Rm)	108	—	—	140
Debt:equity ratio	0,36	2,54	8,37	0,75
Shareholders' interest	0,43	0,16	0,07	0,39
Int & leasing cover .	3,6	2,2	0,8	0,5
Return on cap (%) ..	12,7	16,0	13,0	n/a
Turnover (Rm)	934	1 287	1 409	1 423
Pre-int profit (Rm) ...	88	158	128	4,1
Pre-int margin (%) ..	9,4	12,3	9,1	2,0
Earnings (c)	36,3	21,2	(45,5)	(46,5)
Dividends (c)	0,5	16,0	5,5	nil
Net worth (c)	138,8	84,9	29,8	(8,79)

This company has plumbed the depths of commercial misery; shareholders must be wondering, considering their own wealth in the group has effectively been wiped out, where it will go from here.

During 1992 Rusfurn lost R136m. No wonder new chairman Danie Cronje describes it as "a grim one for the group and certainly the worst since its listing on the JSE in 1987." That's reflected in the share price, now down to 17c. The ords give a market valuation of R3m on turnover of R1,4bn — and that just about says it all.

Still, it's worth considering some of the more intriguing aspects of the saga. It isn't so long ago that the somewhat reserved and icily polite former banker Laurie Korsten was persuaded by his colleague Piet Liebenberg to take on the job of nursing Rusfurn back to health. Liebenberg had plenty to be worried about. As boss of Bankorp, he was


Rusfurn's Jenkins ... *making his own assessment*

continued →

P.T.O

URQUHART MOTOR GROUP

No upswing yet

FM 15/1/93 (30)

Activities: *Investment holding company focusing on motor retailing and investment in property.*

Control: *Urquhart family trust 94,9%.*

Chairman: *G A Urquhart; MD: B G Lennox.*

Capital structure: *12,9m ords. Market capitalisation: R7,7m.*

Share market: *Price: 60c. Yields: 10,0% on dividend; 24,5% on earnings; p:e ratio, 4,1; cover, 1,7. 12-month high, 140c; low, 35c. Trading volume last quarter, 29 000 shares.*

Year to June 30	**‡'90**	**'91**	**'92**
ST debt (Rm)	7,1	—	9,6
Debt:equity ratio	0,16	—	0,53
Shareholders' interest	0,47	0,62	0,31
Int & leasing cover	1,7	—	2,1
Return on cap (%)	5,5	14,6	15,6
Turnover (Rm)	306	235	279
Pre-int profit (Rm)	3,3	5,9	5,3
Pre-int margin (%)	1,1	2,5	1,9
Earnings (c)	6,7	†33,6	†10,3
Dividends (c)	—	—	6
Net worth (c)	111	133	140

† Undiluted. ‡ Trading as Sinclair Holdings.

FM 15/1/93 (30)

Last year's motor industry downturn and the drought prevented an upswing for motor group Urquhart. With the knowledge that the interest bill would increase, chairman Gavin Urquhart forecast taxed profits for financial 1992 would be similar to those of the previous year.

And, assuming that there would be no material improvement in the economy, he predicted ordinary shareholders would receive dividends of 12c a share. Unfortunately, this was not to be.

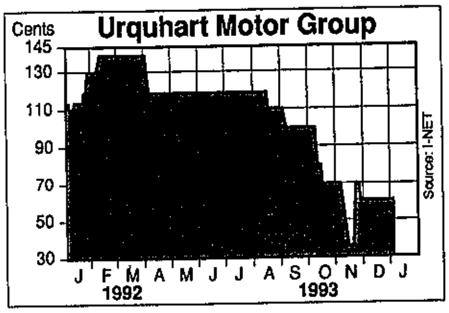
Ford franchises

Total industry unit sales of cars fell by 12,6% and those of commercial vehicles fell 13,5%. Because of the drought, there was almost a complete absence of tractor sales in the Ford franchises.

Explanations for the shortfall, in earnings and dividends, include pressure on gross margins and retrenchment costs. Urquhart's staff has been cut since the September 1991 restructuring, from 770 to 670, despite the acquisition of two new dealerships. A R500 000 retrenchment bill was paid.

The balance sheet moved from cash flush into gearing as R13,8m was spent on new properties and a R24m special dividend paid to ordinary shareholders. Financial director Mike Broome contends that while 1992's pre-interest profit may be compared with 1991's, there is little point in comparing post-interest profits.

The group was completely restructured in 1992. The nature of the business changed, resulting in an amendment to the listing and a name change. A new MD was appointed. The share, formerly Sinclair Holdings, moved from the Industrial Holding to the Motor sector.



Broome says the first six months of the 1993 year will see pre-interest profits little changed from last year's, though the figure should be up at year-end. He says maintained or slightly improved earnings should be regarded as satisfactory in this industry but management is hoping for better. Urquhart is looking for acquisition opportunities. The board is working towards a 3 times dividend cover.

The share has recovered from its 35c November low but the p:e ratio remains one of the lowest in the motor sector. The Urquhart family controls almost 95% of the issued shares, so the stock rarely trades. It nevertheless needs to prove its worth before it will become attractive.

Kate Rushton

RETAILING FM 15/1/93 (30)

Gambling on green

Green products may be hot sellers in supermarkets overseas but in SA environmentally friendly products, such as household cleaners and toiletries, appear to be bombing badly.

Following the lead of counterparts in the West, SA companies were quick to champion the green issue. Debates raged over the use of CFCs and ammonia in household sprays and cleaners, and some green ranges were launched, but in the main the local revolution hasn't taken off.

Pick 'n Pay has an in-house range of environmentally friendly household products. Director Richard Cohen maintains that "some categories like recycled paper and liquid detergents do very well," but he admits other products aren't high fliers. The chain earns about R30m a year from its green products.One problem is a public perception that green products are more expensive than other brands and aren't as good. The ingredients have to be biodegradable and are, therefore, often dearer.

However, Cohen maintains that while the price of green products is not as low as no-

FM 15/1/93 (30)

name brands, "there is price parity with the brand leader."

The Housewives' League's Sheila Lord adds that its studies on the pricing of green products are inconclusive. "We certainly didn't prove they were more expensive." She says that in SA consumer awareness of environmental issues isn't very high and the league has never been approached to push or endorse green products. Moreover, poor people generally buy the cheapest product. "They're more concerned about where the next loaf is coming from than whether the environment is in trouble," she adds.

SA Wildlife Society ecologist Andrew Duthie says the environmental ethic in Europe and the US isn't present to the same degree in SA. "It's related to levels of affluence and, while there are affluent people in SA who can afford to be environmentally aware, our national psyche is more geared towards fundamental issues such as poverty alleviation."

Cohen says green products will have to be repositioned in the market. But progress is being hampered by a lack of standards to which products must comply. "There is no laid-down standard, but there are various symbols and signs, which only creates confusion," he adds. ■

SBDC bank scheme 'a success'

BDay 15/1/93. (30)

STEPHANE BOTHMA

THE bank indemnity scheme initiated three years ago by the Small Business Development Corporation (SBDC) for small and medium enterprise developments had freed more than R65m to date, the SBDC said yesterday.

Financing had been granted to 201 business entrepreneurs in the joint project between the SBDC, the state and SA's major commercial banks, SBDC assistant GM and head of business financing Kees de Haan said in a statement.

The Finance Department had provided an initial R20m to launch a bank indemnity fund administered by the SBDC, he said.

The scheme underwrites a portion of the risk to which banks are exposed when considering loans to small and medium enterprise clients who cannot meet standard security requirements.

De Haan said the scheme enabled banks to maintain their usual risk standards, while making the financing expertise of hundreds of bank managers — at more than 1 000 participating banking outlets countrywide — accessible to a wider range of would-be business entrepreneurs.

Launched in 1990, the scheme had developed slowly during the first two years, with only 100 small and medium enterprise clients assisted and development capital of R25m utilised. Since a public announcement six months ago, the number of clients had doubled and capital mobilised had increased to R65m, he said.

To date the success rate of clients in the scheme was nearly 80%, but the stability of enterprises could only be effectively assessed in their third year.

The financing capital unleashed by the scheme originated from the participating banks, entrepreneurs and third parties.

De Haan said the multiplying effect of the scheme had already proved its effectiveness as the R20m indemnity fund had generated more than three times that amount in development capital for the small and medium enterprise sector.

He said he hoped government would make further contributions to the fund, and that the life insurance and pension fund industries would give it consideration.

SBDC indemnity scheme capital soars

CT. 15/1/93

(3b)

JOHANNESBURG. — The Small Business Development Corporation (SBDC) initiated bank indemnity scheme, started in 1990 with R20m, mobilised development capital to R65m in the last six months.

The SBDC said yesterday that over 200 small to medium business entrepreneurs had been granted financing in the scheme run by the SBDC, the government and the major commercial banks.

SBDC assistant GM Kees de Haan said the bank indemnity scheme had proved its effectiveness by tripling, through the multiplying effect, the starting R20m indemnity fund to R65m.

The success rate of clients in the scheme is nearly 80%.

"In the light of the accelerated growth rate of the bank indemnity scheme and the SME (small to medium sized enterprises) sector's effectiveness in job creation and economic recovery we hope the government will make further contributions to the fund," he said.

The scheme underwrites a portion of the risk to which banks are exposed when considering loans to SME clients who cannot meet standard security requirements.

It enables the banks to maintain their usual risk standards, while making financing expertise accessible to a wide range of entrepreneurs. — Sapa

Unions brake proposal for after-hours car repairs

S Times 17/1/93 (Cape Metro)

By DICK USHER

EXTENDED motor-workshop hours — which would be a boon to travellers, businesses and anyone else who needs a car repaired in a hurry — could be introduced if employers and unions reach agreement.

The proposal is being resisted strongly by the three unions involved in negotiating a new agreement for the motor industry.

Although the unions agree that extended hours would have advantages for all parties — employers, employees and customers — they claim employers have not yet made an offer to workers that would compensate them for the inconvenience of late-night and weekend work.

This is one of the issues that have stalled the industrial council talks on wages and conditions of work for staff at filling stations, vehicle body repair shops, component manufacturers and automotive engineering and reconditioning operations.

The unions declared a dispute with employers over this and several other matters last year and talks held since have brought them little closer to a resolution.

A study by the Automobile Association (AA) on extended trading hours for workshops concluded firmly that if properly regulated these could be only of advantage to all parties.

There would be greater convenience for customers, especially where an individual or company's income depended on a vehicle. Overnight or weekend servicing would reduce down-time for vehicles during normal trading hours.

The AA also noted that "with the combination of South Africa's urban sprawl, huge travelling distances and paucity of public transport, private vehicles can hardly be considered a luxury. The ability to repair and maintain them in the shortest elapsed time is of the greatest importance."

The association said that with the increased rate of urbanisation in the wake of removal of influx control, transport demands were likely to rise "alarmingly" in the next decade.

"The demand for the skills and facilities of workshops is likely to rise far faster than the skills base can be expanded," said the AA.

Without increased efficiency in the industry, customers could find themselves faced with sharp price rises because of a growing scarcity of facilities.

Unions say they are unclear what employers intend by proposing extended trading hours,

JOB MARKET

Two-prong strategy to put SMEs on track

S/Times (BUSS) 17/1/93 (30)

By KEVIN DAVIE

THE share of gross domestic product contributed by small and medium enterprises (SMEs) should be increased from its present 40% to more than 50% in the next five years, says Jerry Eckert, a senior policy analyst at the Development Bank.

"A goal of doubling the employment provided by smaller and informal enterprises is feasible in a ten-year period."

He says a two-pronged strategy of getting policies right and closing social economic gaps is both feasible and absolutely necessary if SA is to meet the needs of its people.

SMEs should be placed at the top of development strategy because of the impossibility of the formal sector expanding fast enough to absorb new additions to the labour force.

"A one percent increase in real GDP increases employment by only 37 481 jobs. In the last six years, capital intensification has lowered labour in the formal economy by 35 021 jobs a year.

Risks

"A sustained real growth rate of five-percent will generate only 152 383 jobs a year. Meanwhile, the workforce is growing at more than 400 000 a year.

"Significant rebalancing of the economy towards the labour-intensive and flexible SME sector is essential if the unemployment crisis is to be resolved this decade."

Emancipation, enabling legislation and empowerment are necessary for the creation of a supportive environment for the development of SMEs, says Professor Eckert.

"Emancipation implies deregulation of markets and business procedures, a process which has only just begun viewed from the perspective of the small enterprise manager.

"Small businesses often find themselves operating illegally if they are to operate at all, with all the constraints involved."

Enabling legislation should ensure equal opportunity for smaller, black entrepreneurs and their employees. Professor Eckert says the law should be changed to make discrimination illegal.

Empowerment programmes should be designed to go beyond levelling the playing field to provide entrepreneurs with resources, such as finance and management skills, with which to succeed.

Professor Eckert suggests government and larger firms commit to purchasing a minimum percentage from firms employing less than 50 workers.

Obstacles

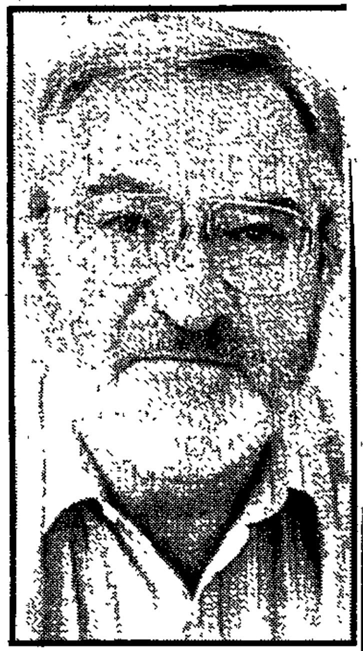
"This could be achieved through regulation, tax incentives or social contract.

"Special banking mechanisms for firms with less than 50 employees are also essential. Concessionary rates are conceivable by blending commercial and development capital."

Professor Eckert says an antitrust or pro-competition policy is needed since major obstacles to small business include monopoly suppliers and buyers.

Government should commit itself to advancing SMEs as part of an overall development strategy.

A national commission should be established to investigate remaining barriers. A portion of current government expenditure should also be redirected towards firms with less than 50 employees.



JERRY ECKERT

Serebro cuts OK board

(30)

S Times (Buss)

By CHERILYN IRETON

17/1/93

OK BAZAARS' main board will lose nine directors and alternates in a major re-organisation of duties instituted this week by new MD Mervyn Serebro.

Just two weeks into his new job, Mr Serebro has announced that four directors and two alternates are to retire in March.

Another three will step down to the new operational boards that he has set up to control the activities of OK Stores and the Hyperamas.

Mr Serebro, who moved into former CE Gordon Hood's office on January 1, believes a leaner corporate board and the introduction of the two operational boards will improve the group's focus.

"It will allow us to focus both on critical strategic issues and on the targeted consumers of each of the trading divisions."

The market has already shown muted support for Serebro's plans. The share price ended the week R1,35 firmer at R6,60, well above its October low of R4,60.

OK's attributable income has slipped from R19,8-million in 1988 to R9,3-million at end of March 1992.

Retiring

Former main board directors Bob van Coller, Mervyn Kraitzick and Jack Coombes move from the corporate board to the new operational board of OK Stores.

The new-look corporate board includes Mr Serebro and deputy MD Philip Grover. SA Breweries' two representatives, Meyer Kahn and Selwyn MacFarlane, retain their seats. Richard Blackwell, Keith Hartshorne, Geoff Kearney, Norman Nunan and Arthur Solomon are the other directors.

Gerald Manne, 58, and Melville Pels, 77, who have been with OK for over 40 years, are retiring.

So too are Taffy Hewson, 55, Gerrie Snyman, 49, and the group's alternate directors Leen Budding, 61, and Joe Novello, 69.

Big plus for small business

S/Times (Buss) 17/1/93. (30)

Small business creates jobs. Yet little state money goes this route while billions flow into big projects. Comment by **KEVIN DAVIE**.

THE clamour for more money to be channelled into small business is fast becoming a crescendo.

The Reserve Bank, Sanlam's Platform for Investment scenario, the Development Bank, the World Bank, the Small Business Development Corporation (SBDC), a study sponsored by the life industry, — all say that growth in small and medium enterprises (SMEs) is the way forward.

"SMEs are the light cavalry of the economy," says the SBDC's Ben Vosloo. "This is the worldwide experience."

The argument is that job creation in this sector should be put at the top of development priorities.

The housing kickstart popularised by the Nedcor-Old Mutual scenario is still bogged down in the political process.

It is also better to create a job for a man so that he can buy his own home rather than put him in a house at great cost to the taxpayer. It would be nice for every South African to be given a home, but resources simply do not stretch that far.

The Nedcor-Old Mutual team also wanted a gear change whereby SA would sell value-added exports in foreign markets.

The gear change is well under way. The state-owned Industrial Development Corporation (IDC) is pouring billions into projects such as Alusaf and Columbus which will beneficiate imported and local minerals.

Many favour a two-pronged approach where both labour- and capital-intensive industries are supported, but while the big projects are fully financed, small business is still waiting for the begging bowl to be filled.

The SBDC, which has created 300 000 jobs since 1986 at a cost of R5 000 a job and a 83% success rate, received no support from the Budget this year.

It has curtailed its activities, turning down seven good prospects for every two which are accepted. Inquiries meanwhile are flowing in at a rate of 1 100 a working day.

The SBDC last year examined its growth prospects and decided it needed R1-billion. Newspaper headlines reported negotiations between the SBDC and 50% shareholder, the State in the form of the IDC, whereby the SBDC unsuccessfully tried to source finance from the IDC.

The IDC agreed to make funds available only if it could increase its say on the SBDC board where the private sector owns 50% of the shares but has 75% of the vote.

State funds of R1-billion controlled by the IDC will be invested in Columbus to create just 33 new jobs. The SBDC could create 100 000 jobs with this money.

The huge disparity illustrates SA's economic policy options very neatly.

For me the choice is simple. I would put the R1-billion into SMEs.

Tens of thousands of people would be able to use bricks to build homes rather than to throw at one another.

OK prunes its board

(30)

Finance Staff STAR 18/1/93.

OK Bazaars has used the retirement of two of its most senior directors to rationalise its management structure at board level.

Newly-appointed group managing director Mervyn Serebro announced on Friday the retirement of Gerald Manne and Melville Pels, after 40 year' service with the company, and the reduction in the number of directors serving on the corporate board from 19 to nine.

In addition to the streamlined corporate board two operational boards have been set up to run the trading divisions, OK Stores and Hyperama.

"The leaner corporate board and the introduction of two operational boards will enable the business to focus both on critical strategic issues and on the targeted consumers of each of the trading divisions," Serebro said.

OK's share price has been rising sharply in anticipation of the announcements. On Friday alone the share added 100c to 660c, bringing its gains for the week to 25,7 percent, or 135c.

The corporate board is headed by Serebro and deputy group managing director Philip Grover. Serebro will also have management responsibility for OK Stores and Grover for Hyperama.

OK's reshuffle pushes share up

CT 18/1/93

From MERVYN HARRIS (30)

JOHANNESBURG. — OK Bazaars shares rose sharply on the JSE on Friday on news of sweeping changes in the management of the company at corporate board level.

The share rise of 17,8% or 100c to 660c lifted its gains to 25,7% on the week and took the price to its highest level since October.

Changes in its organisation see the retirement of two senior directors, Gerald Manne and Melville Pels, who have each been with the company for more than 40 years, and a reduction in the corporate board from 19 to nine members, including chairman Meyer Kahn and group financial director Selwyn MacFarlane.

An announcement on Friday said the company would be managed at corporate level by a board of directors and at operational level by operational boards running the two trading divisions, OK Stores and Hyperamas.

The leaner corporate board and the introduction of two operational boards would enable the business to focus on critical strategic issues and on the targeted consumers of each of the trading divisions.

The new structures take effect from April 1.

New group MD Mervyn Serebro said the reorganisation marked a major strategic shift in the way the business was structured. "The retirement of two senior directors provided the opportunity to take a critical look at the entire structure of the main board."

He added that speculation about the opening and closing of stores was "merely flying a kite".

Apart from his corporate responsibilities, Serebro would handle management of the OK Stores trading division. Deputy group MD Philip Grover would be responsible for management of the Hyperama trading division.

ROSEBANK LAND ROW

Who checked the fine print?

FM 18/12/92.

(30)

Rosebank Action Group's continued onslaught against JHI House and Rosebank Mall (*Property* May 8) has resulted in a Johannesburg City Council investigation. The group's basic allegation is that the council granted irregular zonings and sold property at a fraction of market value.

City secretary Howard Veal, who led the investigation, says "an apparent error on the part of the Administrator of the Transvaal in 1980, who was then responsible for Johannesburg land rezonings, conferred additional office rights for about 31 181 m² to the Rosebank Mall's consolidated Erf 233.

"All that had been applied for was an extra 5 000 m² of retail rights, seven years before, to allow it a total of 28 671 m² of retail rights. The applicant was the then owner of Rosebank Mall, Rapp & Maister, which already had about 23 671 m² of retail rights. Rapp & Maister subsequently sold control over Rosebank Mall to Centrecity Property Fund in about 1985 or 1986."

Veal deduces that, "together with the new retail rights granted for 5 000 m² . . . an asterisk in Amendment Scheme 1/398 of 1980 — referring planners to coverage and height allowances — therefore simultaneously conferred an extra 31 181 m² of office and other nonretail rights . . .

"Subsequent consolidation and rezoning of the site by JHI Property Management (Tvl) — which is managing agent for Rosebank Mall owner Cenprop — thus enabled it to transfer these office rights to the present site of JHI House . . . As far as the public was concerned, though, the owner did not advertise that it would increase the height of this development from four to what JHI alleges is only eight storeys ultimately."

JHI has responded by saying that while it has not had the time to investigate the allegations in detail, "Stand 50 (the site of JHI House), together with certain other stands adjacent, were acquired by the Rosebank Mall (Pty) Ltd for the purpose of further developing the complex known as the Rosebank Mall. The negotiations with the council were conducted on an arm's-length basis and the price at which the properties were sold was arrived at in the course of normal commercial negotiations.

"In November 1987, an application was made, in terms of the provisions of the relevant town planning and townships ordinance, for certain rezonings to accommodate, *inter alia*, the erection of a multistoreyed office block . . . The application was approved by both the Town Planning Tribunal and the Director of Local Government and promulgated by Notice 1 320 in the *Provincial Gazette 4679* dated May 16 1990 as Amendment Scheme 2 729. In terms of the scheme, the applicant was allowed a maximum height of 11 storeys and floor area of more than 28 000 m² for office space. JHI House falls well within these parameters.

"The plans of JHI House were approved by the city council and the building has been erected in accordance with these plans. The directors are accordingly of the opinion that JHI House has been erected in accordance with all the legal requirements and that no case exists for any demolition."

Questions asked

Veal says the council has now requested the Administrator to rectify the *Provincial Gazette* notice which approved the scheme whereby the Mall acquired additional office rights with consent of about 31 181 m². The owner of the Mall should explain the following points:

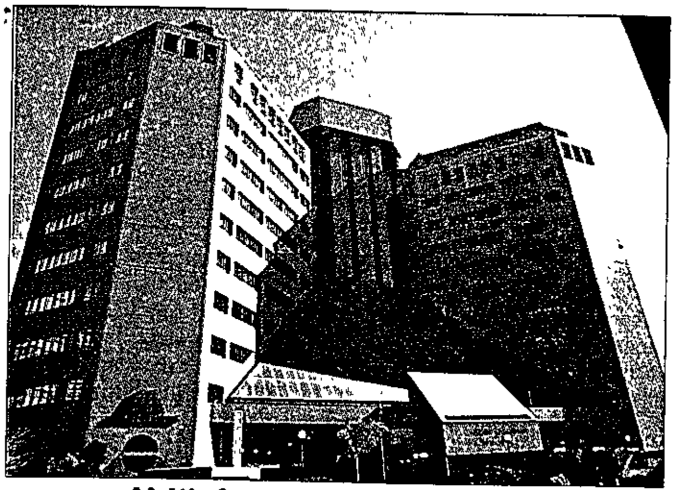
- Why it relied on Amendment Scheme 1/398 for additional office rights when it should have been aware that the granting of this office right was done without public notice and was either an error or a nullity;
- Why it did not disclose to council that it intended to rely on Amendment Scheme 1/398 to spread rights on to Erf 50 Rosebank (the JHI site) when it had previously claimed that Erf 50 had no potential other than for parking; and
- Why it is in contravention of the town planning scheme by its failure to provide the required number of parking bays. ■

JSE DISTRICT

Lots of movement

Tenant movement from Sino African Properties' AA Life Centre at 27 Diagonal Street, in Johannesburg's stock exchange district, has prodded the rumour that rental hikes are to blame. Three tenants have left this year and another two are on the verge of moving out.

First to leave was Deales Restaurant at the end of April. (Landlord Sino says it is negotiating with a potential restaurateur.) Then stockbroker Irish & Menell Rosenberg Inc last week moved into the JSE building. And in January, stockbroker Mathison & Hollidge is to relocate into Ampros's 32 Diagonal Street.



AA Life Centre . . . *some brokers going*

According to a Sino spokesman, all three tenants' leases expired this year. Current office rentals in his building are within the market-related range for A-grade space in the CBD — R25/m² to R35/m² gross.

In the case of Mathison & Hollidge, Sino is up against stiff competition with Ampros negotiating deals including rent-free periods and discounts in selected buildings within its portfolio.

While 32 Diagonal Street is not in this selection, rents are attractive and Ampros says it will contribute towards "reasonable" office layouts.

Irish & Menell Rosenberg confirms that lower rents are also to be had in the Johnnesburg Stock Exchange. According to the JSE, its gross rental from January 1 is R27/m² excluding Vat.

Wagging tongues

Sino says Diagonal Street Inn — a canteen run by Fedics for a consortium of members of the stock exchange in 27 Diagonal Street — will continue for the foreseeable feature. This facility is continually reviewed by Fedics and operates on a month-to-month lease basis.

Coupled with these departures are those that have been necessitated by the liquidation of two tenant stockbroking firms — hardly the fault of the landlord — Andrew Forbes & Co and Ben Janse van Rensburg & Co.

Rumours that Davis, Borkhum, Hare & Co will move are unfounded. The stockbroker still has five years to run on its lease in AA Life Centre.

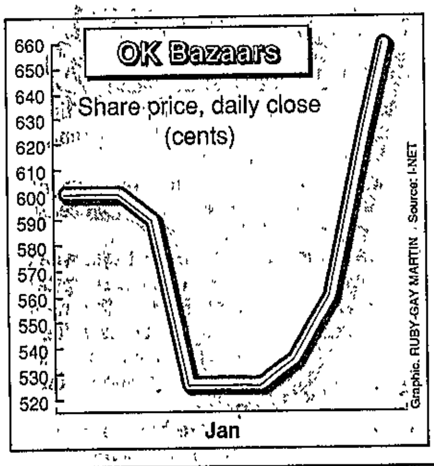
With all this activity, and some empty floors, it's no wonder that tongues are wagging.

But times are tough for stockbrokers and efforts to save on rent are not surprising. ■

Board shakeup boosts OK

B/DAY 18/1/93 (30)

MERVYN HARRIS



OK BAZAARS shares rose sharply on the JSE on Friday on news of sweeping changes in the management of the company at corporate board level.

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To Page 2

Prime office rentals slip back to 1989 levels

STAR 19/1/93

By Meg Wilson
Property Editor

(30)

Prime office rentals in central Johannesburg are now at 1989 levels of between R26 and R27 a square metre, down from the 1990 peak of R30 to R31.

However, according to the latest Rode Report on the South African Property Market, things are looking up in the decentralised office nodes of Randburg, Parktown and the Sandton CBD (see graph), where vacancies have been edging down since the beginning of last year.

And, although Sandton and Rosebank rental levels both fell in the last quarter of 1992, the typical rentfree periods reported in these areas declined.

In fact, the report says, rental holidays are shorter all round — even in Braamfontein, where vacancy levels shot up last year as new stock hit the market (see graph).

Some 44 000 sqm of this was A-grade space in Liberty Life's Jorissen Place and Southern Life's Braamfontein Centre.

According to a report on Braamfontein compiled by the research department of Anglo American Property Services (Ampros), almost 17 percent of the area's total office space was vacant in December.

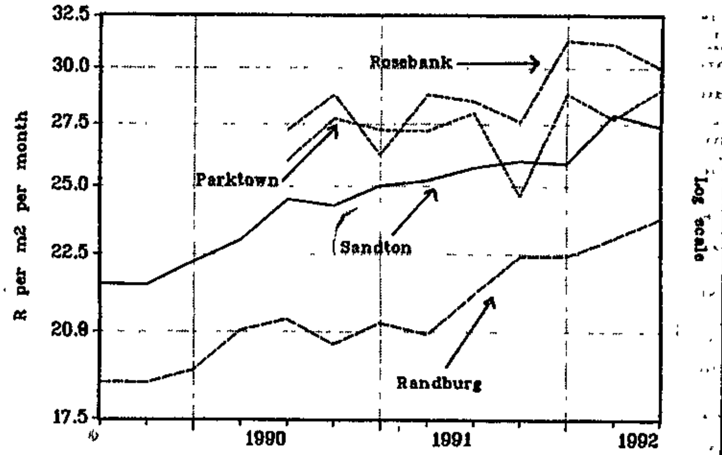
However, vacancies in the A category were well above this, at 26,5 percent of the space available, despite the fact that about 40 percent of the Braamfontein Centre had been let by November, and Liberty's own property division had filled a large chunk of Jorissen Place.

According to Ampros, which administers Braamfontein Centre, A-grade rentals in the area have remained "fairly constant" at R24 to R34.

While the median R29 seems likely, and there have been new lettings since December, a further 9300 sqm due to come to the market in April, in the second phase of Sanlam's Braampark development, is likely to hold rentals down for several more months.

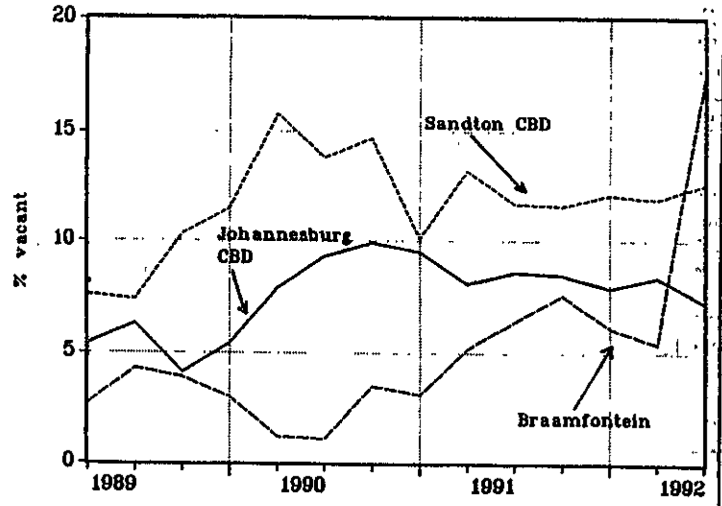
JOHANNESBURG DECENTRALISED NODES

Grade A+ office rentals



GRADE A OFFICE VACANCIES

Johannesburg CBD, Braamfontein & Sandton CBD



Source: Sapoa and Real Estate Surveys

Meanwhile, while A-grade vacancy levels have begun falling in the Johannesburg CBD, rentals have not risen accordingly.

This is probably due to the fact that most CBD development at present is for owner occupation which means, as the Rode report points out, that A-grade vacancies are only dropping at the expense of B-grade space, which increased to almost 17 percent in the course of 1992.

The problem becomes more evident when one looks at the take-up figures, which usually parallel changes in vacancy rates.

In the six months to August 1992, the CBD showed a negative net take-up of around 7000 sqm, due largely, according to Rode, to deteriorating B-grade occupancy.

For now, tenant-power is likely to keep rentals at the 1989 levels — and developers are likely to be prudent, at the very least, about spec developments.

Scattered signs of hope offset the gloomy outlook

BDAY . 20/1/93 (30)

LINDA ENSOR

CAPE TOWN — Pockets of activity in the decentralised office market and in some sections of the residential market offset the gloomy outlook for the property market, said the latest Rode Report on the SA Property Market.

Editor Erwin Rode said that apart from office rental increases in the Sandton CBD, Parktown and Randburg, many prices and rentals were in reverse. Prime office building capitalisation rates had also increased almost across the board, thereby eroding capital values.

While the capitalisation rate for the Johannesburg CBD remained static at 10,1%, Cape Town recorded the biggest increase, with a rise to 10% from the 9,7% of the previous quarter.

Capitalisation rates for shopping centres were mixed, with the lowest rate reported being the 9,5% for Witwatersrand regional shopping centres. The trend for prime industrial leaseback rates was generally upward, except in Port Elizabeth.

Rode said prime CBD office rentals in Durban and Cape Town notched another small increase while decentralised nodes, particularly in Johannesburg and Pretoria, fared better. A few falls in rental escalation rates resulted in a rate of 12% nearly across the board.

"The big shock for office vacancies was in Braamfontein, where grade A vacancies shot up from last quarter's 5,4% to 17,4% as the newly completed stock hit the market."

Durban's "frighteningly high" A-grade vacancies also edged up again. Elsewhere however, the trend in vacancies was largely static, or even downwards, particularly in decentralised nodes.

Nominal rentals for industrial property dropped during the quarter except in the East Rand and far East Rand for almost all sizes of units, and in East London and Cape Town, which experienced a rise for all except the largest units. Industrial vacancies across the board were static or rising very slightly.

"There was a definite, if not always strong, trend towards higher reported industrial land values this quarter. The only major exception was the West Rand, where prices were down for all stand sizes," Rode said.

House prices in the lower and middle price category continued to rise more strongly than those of upper price houses, although the gap was narrowing considerably. Rode said upper price houses in Durban and Cape Town had performed well during the quarter.

Flat rental growth was slowing down, particularly for larger units. Rentals in Cape Town, Port Elizabeth and Bloemfontein were under pressure. Vacancy levels in some areas were also beginning to rise.

Rode said building construction, particularly in the non-residential sector, had nosedived and only townhouse construction had moved up strongly in response to the drop in interest rates and the rampant crime rate.

Non-residential building costs were rising at about 3% a year.

The attractiveness of property unit trusts had been enhanced relative to financial and industrial shares with the spread between their respective dividend yields reducing. Rode said that relative to directly held property, property unit trusts still offered exceedingly good value as they offered an extraordinarily high initial historic yield which topped 11%.

Call to boost small businesses

ADRIAN HADLAND

PRETORIA — Government funding of small business in SA should be increased from R800m a year to R4bn to stimulate growth and employment in the economy, Frankel Max Pollak Vinderine chief economist Mike Brown said yesterday.

The increase, from 0,3% of GDP to 1,3%, would generate more than 200 000 jobs a year and would shift SA to a more competitive and efficient economic structure, Brown said.

He was one of several speakers addressing businessmen in Pretoria yesterday on means of improving investor confidence in SA.

The Platform for Investment conference, which included contributions from senior executives of Sanlam, Ernst & Young, Frankel Max Pollak Vinderine and the HSRC, was the result of comprehensive research undertaken locally and abroad, Sanlam media relations senior manager Boet van der Spuy said.

Brown said the contribution of small businesses to SA's GDP had increased from 5% in 1980 to 17% by 1991. "We are not doing anything to encourage it and yet it is happening."

The advantages of investing in small business development included the low capital cost of job creation (R15 000 per job as opposed to R50 000 in the formal sector), the political acceptability of encouraging small business, the fostering of an entrepreneurial spirit and the promotion of regional development.

Brown said multiplier effects also had greater resonance when applied to the lower income community as a result of capital savings and improved labour intensities and consumer power.

The promotion of small businesses could be achieved by the establishment of a more sympathetic operating environment.

This included tax incentives, deregulation and the reduction of bureaucracy as well as the provision of education and training, business skills and access to technology. Linkages should also be generated between small and big businesses by encouraging subcontracting, tendering and by lifting barriers to competition.

The stimulation of small business, with higher government and private sector expenditure on housing and development infrastructure, would improve SA's economic health and make it more attractive to foreign investors.

20/1/93

30

BDAY

McCarthy Retail battles adversity

By Des Parker 30

DURBAN — Inflation beat sales in December in all the operating divisions of Natal's biggest and newest retail conglomerate, McCarthy Retail.

But given the poor state of the economy, the fact that the group's stores and motor showrooms traded at or above the levels of Christmas 1991 is cause for satisfaction, says chief executive Terry Rosenberg. STAR 21/1/93

The group, formed from the merger last year of McCarthy Group and Prefcor, and which owns Game Discount World, the Beares furniture chain, the Bee Gee clothing outlets and SA's biggest motor dealership, McCarthy, rang up sales of R540 million last month.

The market for new vehicles appears to be over the worst, although significant growth in the near future is out of the question, says Mr Rosenberg.

The OK has not been living up to its name for some years but new group managing director Mervyn Serebro has already left his mark on this R5 billion-a-year trading giant. STEPHEN CRANSTON reports.

Give me two years, says new OK boss

STAR 22/1/93 (30) (122)

Investors should give OK Bazaars about two years to turn around, says Mervyn Serebro, the new group managing director.

Serebro says strategic plans have been formulated and he has no doubt the OK will return to its former glory.

In the past 10 years the OK's position has eroded so much that its share price has fallen from almost R30 to about R7,50 today.

Serebro recognises many of the causes of this decline.

"We ceased to be market and sales driven. We need to offer the customer the merchandise he or she needs at an affordable price as quickly and professionally as possible.

"The core business is retailing and all other activities in which we operate, such as store development and information technology, should act as a support function. In the past it was often a case of the tail wagging the dog."

Serebro's first task is to reduce stock sharply and achieve targets which have been agreed with management on the ground.

The OK will then have to take a hard look at its range of merchandise and might even move out of entire categories.

In touch

He says furniture's sales have remained strong and that department has remained in touch with its customers but there is room for improvement in the OK's three other areas of operation — food, clothing and housewares.

Nevertheless, the OK still boasts some outstanding merchandise such as the Ladybird range of children's clothes and the Pot o' Gold housebrand. It is still the market leader in certain merchandise categories, including records and sweets.

"Many years ago the OK had little competition and so it developed on a wide front of merchandise but more recently significant competitors have emerged which specialise in just a segment of our range."

Serebro does not rule out the possibility of certain OK outlets specialising. There are already stand-alone furniture outlets but the OK is considering a range of other opportunities such as food only or perhaps non-food only.

Serebro will not be appearing in television commercials as he believes that no one person can represent the OK. "I might be the conductor but it is the musicians who make the music.

Mervyn Serebro ... you can't rule by fear.

"It is no good trying to rule by fear. People need to believe in me and managers have to be entrusted with responsibility. They might learn from me but I certainly learn from them.

"I knew nothing about store development when I took over that department eight years ago but my colleagues taught me how to read an architectural drawing."

In that time he saw that some of the stores the OK had been building were too large, such as the Vereeniging and Vanderbijlpark ones which were over 12 000 sq m. He began to build 5 000 sq m outlets instead.

The OK is becoming more decentralised in line with Serebro's philosophy. His style is more informal and less autocratic than his predecessor, Gordon Hood.

The OK has been divided into 10 regions, which allows the regional directors to visit their stores regularly. Under the old system of three provinces some stores were visited only twice a year.

Decision-making at the top has been streamlined by the reduction of the corporate board from 17 to seven and the formation of separate operational boards for the OK and Hyperamas.

"We've recognised that they are two totally different businesses, with different cultures and target markets."

He points out that the Hyperamas were turned into a successful business with skills which were nurtured in the OK. "We still have a depth of skills. We just need to use those skills properly."

'Soft drink price will stay while stocks last'

STAR 22/1/93

(30)

Consumer Reporter

Although an increase of 11,5 percent has been announced in the wholesale price of soft drinks, some major supermarkets said yesterday they would not increase their prices until current stocks ran out.

But at Checkers/Shoprite outlets consumers should soon expect to pay about 32c more for a litre and 57c more for a two litre bottle of soft drink.

A Shoprite/Checkers spokesman said the retail price would go up by 12 percent. Current Shoprite/Checkers prices are R2,69 for a litre bottle and R4,79 for a two litre bottle.

OK director Mervyn Kraitzick said the stores would hold their prices until February 1 at least.

Pick 'n Pay director Richard Cohen said he would also maintain current prices while stocks lasted.

Soweto consumers are already being charged increased prices.

An Orlando East shop assistant said his prices went up on Monday. He said he now charged R3,20 for a litre of soft drink which previously sold at R2,55.

The SA Federation of Soft Drinks Manufacturers president Hennie Viljoen said that during the past year container, sugar and wage costs had gone up and contributed to the input costs in the industry.

ILLOVO WEST

FM 22\1\93.

Battle lines drawn

(30)

A proposal by a claimed majority of Illovo West property owners to rezone 21 ha of their prime northern Johannesburg residential area to commercial use has set the cat among the pigeons.

Predictably, the plan, which is the logical consequence of scattered de facto commercial development in the neighbourhood, is being vociferously opposed by residents against any further commercial encroachment in Illovo. Both sides have briefed town planners to act for them and the battle lines are being drawn.

The problems associated with commercial rezonings in Illovo have had a long history. In September, town planning consultant Van der Schyff, Baylis, Gericke & Druce submitted, on behalf of 11 property owners representing 14 properties, individual rezoning applications to the Johannesburg City Council. A further 20 are to follow soon. Attached to each is a proposed development plan for the area, bounded by Harries Avenue in the north, Melvill Road to the west, Bompas Road in the south and Oxford Road to the east, drawn up by Intaprop director Tim Middleton, a former Johannesburg City Council deputy director who is acting as development facilitator for the residents.

Johannesburg's assistant director city planning Jean-Luc Limacher says the applications have not been dealt with. He adds council has indicated to the residents' consultant that its initial response will be negative — until such time as "a development plan for Illovo West is approved by the council."

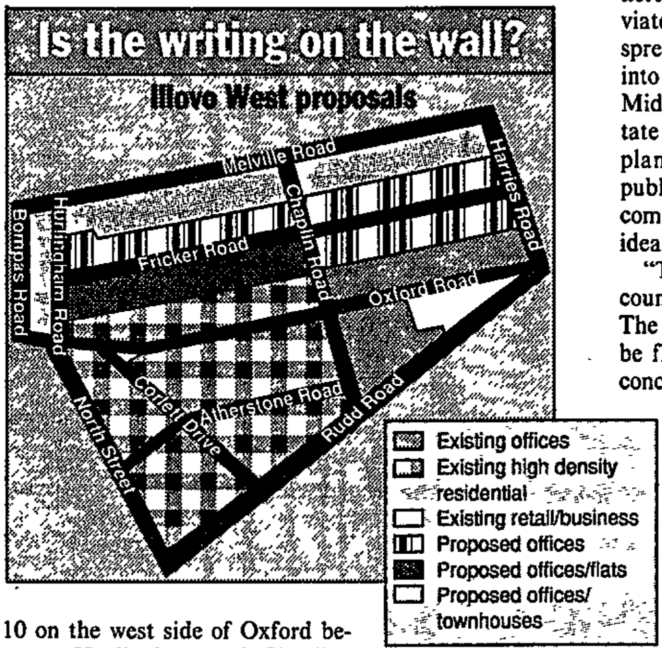
Says Limacher: "The council is considering the process for a co-ordinated development plan for the area. About an eighth of the area, comprising eight office blocks, some still under construction, is zoned commercial. Another eighth consists of high density residential development, mainly flats and townhouses. The rest are houses."

Meanwhile, the opposing residents have formed a steering committee, the Illovo West Action Group, under the chairmanship of Celia Riach. The committee has approached town planning consultant Rosmarin & Associates to act for it. However, "pending deeper research into the matter," the consultant has yet to decide whether to accept the brief.

Director Stephen Jaspan says: "We have to see whether the development plan prepared by Van der Schyff, Baylis, Gericke & Druce has any town planning merit. It has been submitted to council for comment and is obviously being used as a document to lobby support. Their argument clearly has certain weaknesses."

Middleton maintains he is acting on behalf of about 75% of the residents in Illovo West. This area excludes properties fronting Oxford Road and includes 58 houses. "Of the 58, we represent 39 owners in favour of commercial zoning. Eight oppose rezoning, while 11 are either undecided or have not yet been contacted."

Middleton argues that the whole of Illovo should be treated as a development node. This would include the properties in the midblock to Oxford, all those between Oxford and Rudd roads to the east and those south to North Road in Melrose. The area already has 38 commercially zoned properties, 46 high density residential properties (including 10 on the west side of Oxford between Hurlingham and Chaplin) and the 58 residences.



Because of his planning experience, Middleton became involved with the residents' "cause" a year ago. He was approached by broker, developer and valuer Leadenhall, which had managed to pool together owners concerned about the encroachment of high density residential and commercial development, in the absence of a development plan. Many, he notes, are in limbo, not able to sell at fair residential value because of changes taking place and unsure whether the area will eventually be zoned commercial.

Middleton says council should come up with a plan to develop Illovo along the lines of Rosebank within the context of a citywide plan. He argues that Illovo satisfies all the criteria for development as a decentralised, commercial node and that this is the way cities grow. Over the past 20 years, he says, 1,3m m^2 of offices have been erected in Parktown, Rosebank, Illovo, Hyde Park, Randburg and Sandton. Natural expansion within these nodes, excluding further business decentralisation from the Johannesburg CBD, he says, should amount to approximately 50 000 m^2 a year.

"How and where does the council intend to deal with the next 20 years of natural growth from these areas if not in some planned and comprehensive manner?" he asks.

A development plan for Illovo, therefore, should be able to cope with high demand for commercial rights in the area over such a period — including the consideration of Illovo as a Masstran stop along the proposed northerly route. This would obviate, he believes, the willy-nilly spread of commercial growth into other residential areas. Middleton is offering to facilitate that by undertaking a full planning exercise, including public participation, to ensure a comprehensive evaluation of the idea.

"The development plan the council has is a conceptual one. The principles involved have to be fleshed out with the parties concerned and must include a consideration of the 20 000 m^2 of offices between Oxford Road and Wanderers and future infrastructural planning, including Oxford Road itself, as well as the high density residential area," says Middleton.

Meanwhile, Northern Areas Group chairman Margrit Wolff responds by saying: "In a new SA, everything must be done to protect the northern areas from further commercial growth, while everything should be done to upgrade third world areas."

Residents opposed to the plan have retained attorney Philip Pencharz of Edward Nathan & Friedland, Inc to act for them. Pencharz says he is still awaiting full details of the development plan but assures the *FM* residents are resolute in their determination to oppose it.

About 20 owners recently turned out at a preliminary meeting. Riach estimates the number was closer to 25 or 26, including residents from areas which would be affected by the proposal, such as Dunkeld and Sandton.

Middleton's argument might be persuasive. Certainly, Illovo is badly blighted by commercial development and the need for a co-ordinated development plan is para-

continued

 FM 22\1\93

(30)

mount. Sadly, commercial encroachment is a fact of life in many of Johannesburg's northern suburbs. The problem is where do you draw the line? ■

Forecasts for SA retail sales lowered

(30) CT 22/1/93

JOHANNESBURG. — South Africa's retailers have lowered their sales' expectations for January this year compared to four months ago, figures released by the Central Statistical Services yesterday show.

However, actual retail trade sales in October 1992 worth R7480,5m were 4,7% up on retailers' expectations and is the first time in over two years that real sales have shown a year-on-year increase.

Real retail sales for October increased by 2,7% over the same month in 1991 and are 4,6% higher than September 1992, after seasonal adjustment.

CSS said retailers expected sales to be R6 601,8m in the first month of the new year but it represents a 4,4% decrease from October 1992 after seasonal adjustment.

Manufacturing

● Meanwhile, the physical volume of manufacturing production in November 1992 contracted after a healthy increase in the previous month.

The index of the physical volume of manufacturing production in November decreased by 3,1% after seasonal adjustment from October.

Compared to November 1991, the index eased 1,4%.

The food, paper products, metal products and motor vehicle industries experienced the biggest fall off in volumes of manufacturing production.

CSS said decreases in production were recorded in 18 of the 27 major manufacturing groups.

However, the change in the physical volume of manufacturing production in the three months to end November 1992 is 5,1% higher than the three months to August. — Sapa

OK BAZAARS FM 22/1/93

Gambling on change (30)

When 97% of operating income is used to service debt the options are limited. But seldom do the measures used to turn a company around take on the radical form of halving the board of directors. That extreme action triggered a 43% jump in the share price, to 750c, in less than a week.

But, says OK's home-grown MD Mervyn Serebro (*People* January 8), "while such measures are needed, it's unfortunate that a machine this size doesn't turn as quickly as one might hope." Market expectations are high — and perhaps unrealistically so, given that Serebro has been in the MD's office just three weeks.

The OK's ballooning debt is at the top of the list of priorities. Serebro believes the key to lower gearing (203% at September 30) lies in reducing stocks. "Stock levels are appalling but remedial measures have been in place since September and are bearing fruit. Stocks are drastically reduced in stores and warehouses." He believes success in the critical area of stock control will come only if management at all levels accepts responsibility. But he cautions it's still early days.

Believing retailing has changed greatly over the decades, Serebro says with an organisation this size it's easy to lose sight of its core business. Of vital importance, he adds, is the need to focus on what the consumer wants. "An operational board for each of the OK's businesses has been established. Each serves different markets, with OK stores traditionally focusing on C- and D-income groups and the Hyperamas targeting the A and B groups. This allows the businesses to run as separate entities."

The new centralised warehousing and distribution system, with computerised space allocation and ordering systems, will cut excessive lead times. Management hopes the system will reduce stock by as much as R100m.

Serebro contends too much emphasis has been placed on negative aspects of the business. "The OK is a R5bn-a-year business, so it must be doing some things right," he says. "A sizeable percentage is in Hyperamas, but the OK stores have an advantage in volumes, and it's through volumes we can grow the business back to health." How he achieves that is what the market is waiting to see.

The philosophy of new management will be critical — euphoria about Serebro's ability to change OK for the better seems to be behind the move in the share price. Equally important is the ability to sustain this optimism. It begs the question of whether the new management can impose the changes needed after more than a decade of deteriorating financial ratios.

The successful turnaround in the late Seventies of the smaller Hyperama chain, which emerged significantly stronger, shows what can be achieved. Even so, some analysts believe Serebro is inextricably a part of the old OK culture and, as such, isn't a good choice for the top job.

Financial director Geoff Kearney cites a three-pronged plan to reduce debt. This involves profitability, improvement in the HP book and leaner stocks. The R340m book, of which one-third is held by Hyperama, is funded by banks (rather than SA Breweries). To improve it materially will require further costly infrastructure.

Kearney says the gearing target has been put at 1:1, but before this is achieved some radical measures will have to be effected. "The building blocks are in place but it will be some time before the results will be reflected in the income statement."

Shareholders will hope the new management team is more committed to reducing gearing than its predecessor. Some R51,4m was earmarked for capex during this financial year. Apart from refurbishment of stores, the spending programme includes three new Hyperamas, which hardly seems in keeping with a debt-reduction strategy.

Serebro says the OK will tighten its belt in financial 1994, with capex focused on upgrading rather than expanding. "Closure of stores is not a priority at this stage," he adds. But he may find it difficult to avoid this.

What the market has agreed is that there is scope for a rerating of the share. Attractive profits are a long way off.

The end-March interims are expected to show a R50m loss for the OK stores, which would leave the group struggling. That will probably send the share into another decline, though it could also offer a buying opportunity.

Minority stakeholders, no less than controlling shareholder SA Brews, will be watching anxiously; and the results should be forthcoming over the next year to 18 months. There will be some early warning signals.

Marylou Greig

FM 22\11\93 (30)

LEASE RENEWALS FM 22\11\93 (30)

Downward corrections

Major Johannesburg CBD landlords Ampros and Sanlam Properties admit that leases are currently being renewed at rentals lower than those previously negotiated — and it appears the older the lease, the greater the downward correction.

Says Ampros divisional manager for office leasing John Maynard: "Obviously, the more recent leases of a year or so, are either expiring at market rentals or just under".

Maynard adds that most of Ampros's expiring CBD leases have been renewed. However, he says there were few large leases that came up for renewal last year, nor are there many this year. Most of the larger leases in the portfolio will only begin to expire from 1994 onwards.

While some property experts are of the opinion that rental escalations in the late Eighties were typically pitched at 15% and that these, too, will come up for correction, Maynard says Ampros is still asking 15% on long leases and 12% on shorter leases.

As for the length of leases, Maynard says Ampros used to insist on five-year leases. But as the market has deteriorated, three-year leases have become the norm.

Sanlam Properties regional manager for the CBD, Johan Keuler, says Sanlam has renewed about 95% of its expiring CBD leases. 1992 was marked by the expiry of almost a third (or about 40 000 m²) of its leased space in the CBD. Most of these leases have been renewed for three years and a couple for two years.

"The trend is definitely downwards. From a year ago, rentals have come off by 10% on average and by slightly more from two to three years ago. There was virtually no movement in rents last year, while at the beginning of 1992, they were down on 1991. We're doing deals at the same level as in 1991. In some cases, because of all the attractive deals on offer, we've had to come down further to keep tenants. Fortunately, we haven't experienced an exodus from our buildings to others in the city, though some tenants have left for the suburbs."

Sanlam Properties is asking 13%-14% rental escalations — as in the case of a two-year lease it concluded last week. In some cases, it asks 12%. "It depends on the lease. The main factor is the first year's rent. If rent is lower in this year, the escalation will be higher. If rent is what was asked, then escalations will vary between 12% and 14%".

Not dissimilar to Sapoa's latest CBD rental figures, Sanlam Properties is generally asking R29/m² gross for A-grade space and around R22/m² gross for B-grade space.

Keuler believes the moment the office market turns, maybe in three years' time, rents will double. ■

V&A WATERFRONT — RETAIL'S HOT SPOT

30

FM 22/1/93

December retail turnover at Cape Town's V&A Waterfront is estimated at R25m — about R10m higher than normal monthly income for the precinct. Broken down into income per m² this figure must represent one of the top trading precincts in SA. V&A Waterfront financial executive Derek van der Merwe says turnover figures of 30 tenants are still outstanding. The R24,9m total therefore excludes their incomes for the month.

The retail precinct comprises Victoria Wharf, the newest centre to open, with 108 shops; Alfred Mall in the V&A Hotel, 20 shops; the Waterfront Trading Co (the main arts-and-crafts market with an average 120 traders); the Red Shed arts-and-crafts village (22 permanent traders within the Victoria Wharf complex); plus restaurants and pubs throughout the Waterfront.

Van der Merwe says traders exceeded the expected 50% increase in turnover in December by a comfortable margin. So far, from figures available, the increase over budget is at least 67%.

Restaurants and fast-food outlets performed best of all. Measured by trading density (turnover per m² for that category), they performed exceptionally well — "way above expectations." Van der Merwe cannot disclose actual figures.

Next, he says, comes outlets for T-shirts and casual clothing. This category was followed by speciality goods, for example sweets, leatherware, curios, gifts and jewellery.

Van der Merwe says most tenants maintained stock levels to offer a high volume of merchandise. Most factories are closed in December so special arrangements had to be made, either in stockpiling or ensuring that some factories remained open. Van der Merwe believes that the one or two shops that did not perform as well as the rest can attribute this to insufficient stock.

In the jewellery category tenants reported their biggest sales were to foreign tourists.

ROMENS FM 22/1/93

Lowering the sights (30)

The recession — now well into its fourth year — has hit most companies' earnings hard. Probably one of the most vulnerable of these

* continue →

is Romens, a DCM-listed men's clothing retailer. A small capital base and high elasticity of demand for its products curbed Romens' earlier plans to become a national retailer and confined the business to the western Cape.

For the past three years, Romens has been rationalising its operations, controlling overheads, closing two stores and moving away from its policy of franchised outlets; it reduced the number of franchised stores to two out of 14. But chairman Danny Kahn does not rule out further controlled expansion of branches.

Negative earnings over the past three years can be blamed primarily on high interest charges on low operating profits. Dividends have been passed for the past four years. According to Kahn, a dividend will not be paid in 1993, or until the group is in a financial position to do so.

The improvement in pre-interest operating profit was encouraging; the year's figure moved to a R600 000 profit compared with a loss of R500 000 in 1991, on turnover of R17,2m and R14,2m respectively. Though interest charges were cut by more than two-fifths, from R1,13m to R600 800, this still did not produce a positive operating profit, but it was a significant improvement.

No tax was paid as there are tax losses exceeding R3m. There was an extraordinary charge of R400 300 (1991: nil) for rationalisation costs in 1992. Kahn expects the extraordinary charge to be smaller in 1993.

Since 1989, gearing has come down from over 200% to 87% now, though it rose from 70% in 1991 because of an increase in short-term debt. A rights issue in January 1990 brought in about R2,8m, from 8,6m convertible cumulative preference shares of no par value. There are arrears of R500 800 on the preference dividends.

Losses over the past three years have hammered cash flow but it was marginally positive in 1992. This was aided by the improved working capital requirement, which fell by a third, despite a hefty increase in stocks.

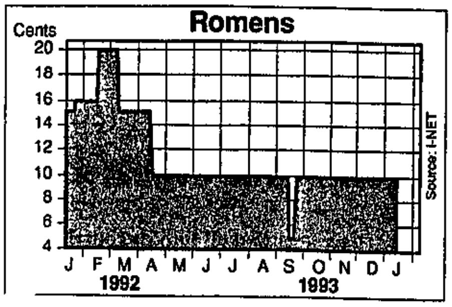
The share, listed in 1987 at 40c, stands at 10c. It is unlikely to improve until consumer spending picks up. The best Romens can do now is to keep chipping away at overheads, streamlining asset control and reducing gearing. Investors will be less cautious about holding a DCM-listed stock when there is fundamental improvement in profitability and an end to the recession is in sight.

Louise Randell

Activities: *Retail clothing chain, including some franchised outlets.*
Control: *Directors 51%.*
Chairman: *D M Kahn; MD & CEO: D J Marks.*
Capital structure: *13,8m ords of NPV. Market capitalisation: R1,38m.*
Share market: *Price: 10c. 12-month high, 20c; low, 10c. Trading volume last quarter, nil shares.*

Year to June 30	***'89**	**'90**	**'91**	**'92**
ST debt (Rm)	2,9	4,4	2,8	3,0
LT debt (Rm)	—	0,74	0,72	0,44
Debt:equity ratio	2,0	1,40	0,70	0,87
Shareholders' interest	0,15	0,25	0,41	0,28
Int & leasing cover	1,3	0,35	—	0,9
Return on cap (%)	4,2	2,3	—	4,3
Turnover (Rm)	13,4	18,0	14,2	17,2
Pre-int profit (Rm)	0,4	0,34	(0,6)	0,61
Pre-int margin (%)	3,0	1,9	—	3,6
Earnings (c)	0,36	(4,73)	(13,2)	(1,13)
Dividends (c)	nil	nil	nil	nil
Net worth (c)	10,6	5,8	14,2	8,0

* Re-stated figures.

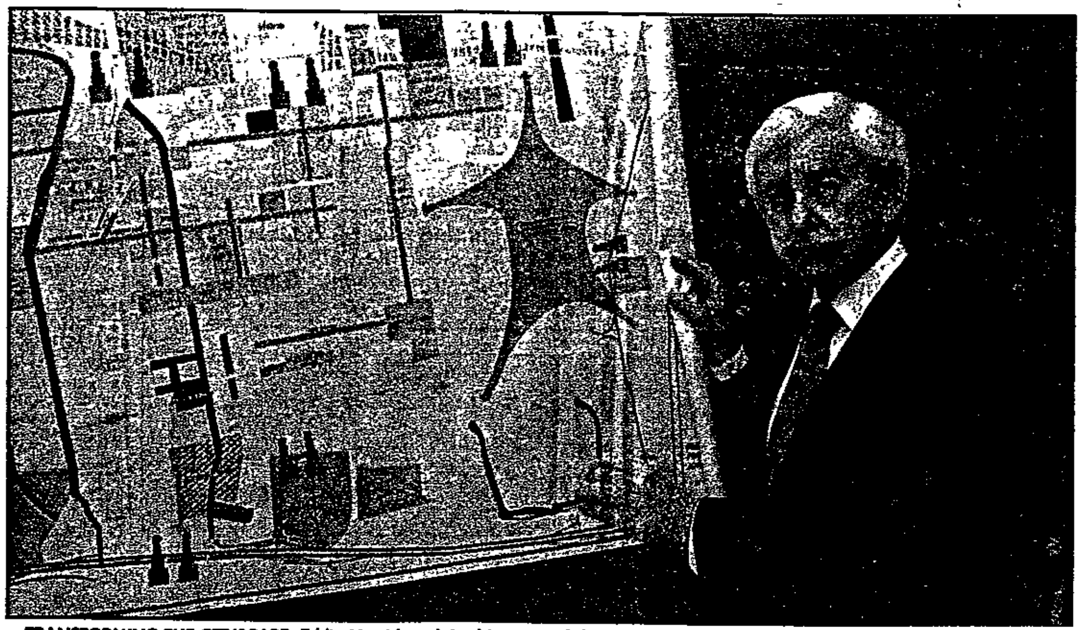


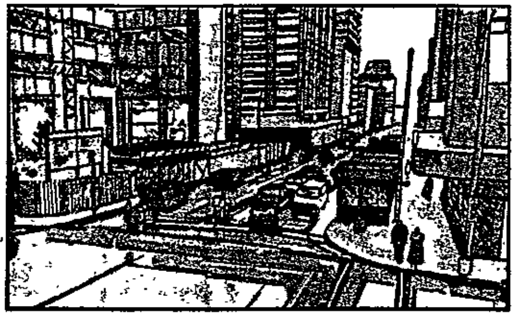
Jo'burg 2000 will be Super City

CHIEF Reporter JOHN PERLMAN talks to Eddie Magid, the man who is revamping Johannesburg's central business district.

EDDIE Magid unrolls a map which covers half the large table in his office and sweeps his hand across it to emphasise his point: "The favourite expression when anybody talks about Johannesburg is 'the central business district is dying'. That is simply not so."

The map, according to Magid — who is chairman of the Johannesburg City Council's planning and development committee — depicts plans to build new buildings and refurbish others, upgrade bus and taxi stations, and turn streets into pedestrian malls.





TRANSFORMING THE CITYSCAPE: Eddie Magid explains his vision of the Johannesburg CBD. At right is an artist's impression of a before-and-after view looking west along Kerk Street from Loveday. ● Photograph: COLIN DAVIS

STAR 23/1/93. (30)

It reflects, he says, economic activity worth millions. "We are generating a lot of activity downtown. The movement in the CBD is unprecedented in the history of this city, unprecedented in the history of any city in South Africa."

Magid reels off a string of statistics. "In 1992, 108 plans for buildings were submitted and, by December 31, 95 of them had been approved — an investment of R270 million. Others come off the drawing boards this month."

These new plans, Magid says, are just a fraction of the building and revitalisation work that will be afoot over the next few years. A number of plans were announced last year, including the massive Johannesburg Tourist Trade and Convention Centre to be built in the "airspace" above the railway lines in the central city. It will span an area from the Queen Elizabeth Bridge to End Street, at a cost of R1,2 billion.

One section of it, the Bridge — a complex of offices and shops — is scheduled for completion this year and is already 60 percent let. "Finances for this should be in place within two months," Magid says.

The trade centre will be joined to the Newtown and Kaserne bus and taxi ranks on the eastern side of town in Bree Street, which will themselves be transformed into the Metro Mall with shops, eating places and other facilities for commuters.

"It will be designed on the lines of the Greyhound terminus in the US. It will offer breakfast and bathrooms, among other things. Don't forget that some people start commuting at 3 am."

The investment value? R172 million. Similar plans have been made for Faraday station in the south and negotiations are under way with the mining house that owns the land to upgrade Westgate station in the south-west.

"There are," Magid says, "250 000 people who commute to the CBD every day from Soweto, half of them by taxi and half by train. The project is private sector-financed, but initiated by the council. Eventually these transport nodes will link with a rapid rail system which will connect them to the rest of the city. There is no question that this is on the cards."

Part of Harrison Street — three blocks between Commissioner and Marshall — is to be transformed into the "Historical Precinct", a pedestrian mall in which the original old buildings on each side will be preserved and mature trees, antique streetlamps and other period fittings will be used.

A section of Kerk Street, stretching 10 city blocks from West Street to Von Brandis Street in the east, will also become the preserve of pedestrians. This will link with another mall on Loveday Street, which will run from Jeppe to President streets. "Work in Kerk Street is going to start next week. With the Civic Spine as the backbone of developments, we are creating something beautiful for those who use Johannesburg every day."

A total of R3,467 billion will be poured into the city before the end of the decade, Magid says, most of it from the private sector. Corporations embarking on major building projects include mining giants Genmin, engaged in a R138 million refurbishment of its headquarters; Anglo American, which is spending R130 million; and Old Mutual, which is involved in pedestrian mall development. Both Standard and First National banks will extend the massive headquarters they have been building.

All of this, Magid says, is not only critical to the economic health of the city but has ripples right across the country.

Again, he has numbers to back up his case. "The inner city generates R13,2 billion in gross domestic product every year. That is 37 percent of the GDP for the Central Witwatersrand Regional Services Council area, 14 percent of the PWV and 6 percent of the country's GDP."

More jobs, businesses and building work may be one step towards making the Johannesburg CBD boom. Pedestrian walkways in place of streets will doubtless make it a friendlier place to be. But the big test of reviving inner-city Johannesburg, Magid concedes, is going to be getting people to live there and pushing up the quality of life.

Part of his plan includes massive residential development of an area that starts in Smal Street and pushes eastwards. "The property is privately owned and the council has no means to buy them out," he says. The plan is to offer 'rates holidays' and 'free bulk' — a concession which will allow owners to build higher than they were previously allowed — provided it is for residential use."

"Ten years hence this will be a most vibrant city, a huge metropolis creating job opportunities for thousands upon thousands."

Traders still defiant

30 Sowetan 25/1/93.

DEFAULTING Lebowa traders have vowed no to pay their income tax and licence and site rental despite having received summonses to do so.

At a highly charged meeting over the weekend, about 400 businessmen reiterated a decision taken last year that they will not pay the Lebowa government until their problems were solved.

Forum aims to boost growth

(216) (30)

Sowetan

25/1/93

POLITICAL, labour and business organisations on Thursday launched the Pretoria-Witwatersrand-Vaal Economic and Development Forum aimed at boosting growth and alleviating the job crisis in the country's most productive region.

Described as "possibly the most representative economic forum in the country", the new body includes the African National Congress, Pan Africanist Congress, the Congress of SA Trade Unions, the National Council of Trade Unions, the SA Chamber of Business, the Transvaal Provincial Administration, the Afrikaanse Handels instituut and the Civic Associations of the Southern Transvaal.

Reading out the forum's aims in Johannesburg, TPA MEC Dr Olaus van Zyl said the main objective was the promotion of the growth and development of the PWV area in the interests of its inhabitants.

"The Development Forum will, within its means, consider and ... initiate action respecting the full spectrum of socio-economic and physical development issues, related to the political context within which the region functions."

Bad time to raise taxes — business

BDAY 26/1/93.

(20)

GRETA STEYN

ORGANISED commerce and industry have called on government not to increase taxes, as the timing was not right while the economy remained in recession.

Government was asked formally at an economic forum process committee meeting last week to avoid addressing the deficit problem by raising taxes, sources said.

While the private sector provided government with inputs on the Budget last week, labour representatives have not yet provided economic policymakers with any formal input, although they have signalled their opposition to tax increases.

While the suggestions handed to government at the forum meeting could not be obtained, business representatives spoke out openly against tax increases.

Sacob, in a reference to speculation that the VAT rate would be increased, said yesterday: "While Sacob is not opposed to higher rates of indirect taxes in principle, there is concern at the timing of such an increase. Imposing a higher rate of VAT on a contracting economy is likely to increase the severity of the recession."

Sacob said the move could result in only a minimal increase in VAT collections and a reduction in collections of other taxes, because of the effects of a recession on government revenue.

The organisation also opposed raising the fuel levy and said a petrol price increase at this point in the business cycle might affect the economy more than in previous years. A higher fuel levy would be inflationary and would also result in lower collections in other areas.

Sacob said direct taxes were already too high by international standards and SA could not afford a more uncompetitive tax regime, as this encouraged companies to transfer profits offshore.

The Afrikaanse Handelsinstituut (AHI) is expected to present Finance Minister Derek Keys with a similar view when the organisation meets him today. The AHI expressed opposition to an increase in the VAT rate last year.

Sacob's calculations show that a deficit of about 6% of GDP is possible without increasing taxes, provided government keeps the increase in spending below 7%.

On the basis of prevailing tax rates, and assuming real GDP growth of 1,5% over the fiscal year, government could raise about R8,5bn in additional tax revenue.

The organisation said the only option that could really work in addressing the deficit problem was to cut state expenditure.

Office workers locked out

Staff Reporter 30 CT 26/1/93

ABOUT 80 office workers were locked out by the management of Checkers/-Shoprite at the company's divisional offices in Goodwood yesterday, said Ms Zoe Holland, a South African Commercial Catering and Allied Workers' Union (Saccawu) spokeswoman.

She said the lockout follows moves by the company to increase the working hours of workers there from 37½ hours to 45 hours a week.

"The company used the lockout to force workers to accept this increase," she said.

Management was not prepared from the outset to negotiate about the matter and the lockout may continue today, she said.

Ms Holland said Saccawu was concerned the decision to increase working hours may be taken at other divisions.

A Checkers/Shoprite spokeswoman was not prepared to comment.

German billionaire to finance project

(43) LINDA ENSOR (30)

CAPE TOWN — German billionaire industrialist Dieter Bock is to finance a R200m retail and office development on Cape Town's foreshore. BDAY 27/1/93.

Bock, who recently became Lonrho's biggest shareholder, already has extensive property interests in the city.

Bock, 53, is said to have made his fortune in property in Germany, the US and SA. He recently moved in on Lonrho when he snapped up a majority stake in a £169m rights offer. He had already paid £50m for more than half of Lonrho CE Tiny Rowland's 14,3% majority stake.

The new project, which is subject to approval by the Cape Town City Council's executive committee, is being undertaken by Devland Construction, which reached agreement with the council on swapping land on the ICS/Power Station site.

Council development co-ordinator Philip Theron said yesterday the 35 000m² underutilised bulk which Devland held would be swapped for adjacent council-owned land to enable Devland to develop a building with less height. Devland orginally had bulk rights for a 63 000m² high-rise building, and Theron said it was far-sighted of both parties to look at rezoning the total land area.

The land swap deal would be presented to the council's executive committee in the next few weeks.

The council owns 5ha and Devland 1,3ha of land on the site, which forms the gateway between Cape Town's CBD and the Waterfront. The council, Devland and the Victoria & Alfred Waterfront have also begun discussing a proposed canal link between the CBD and the Waterfront across the ICS land.

PROPERTY

Ampros plans new look for Carlton

BDAY 27/1/93. (30)

Reports by PETER GALLI

IN A BID to maintain the Carlton Centre as a premier retail centre, Anglo American Property Services (Ampros) is to spend R20m creating a new-look shopping mall for the centre.

"The money will be spent on upgrading and reshuffling tenants to create the new Carlton Mall. The new centre will not pick up the existing finishes of the Carlton, but will have its own identity in keeping with the general theme," said Ampros Johannesburg retail leasing manager Derek van der Bergh.

Construction would start next month and was expected to be ready for shopfitting by September 1, to allow tenants to be ready for the new fashion season.

The scheme follows the move out of the centre by Garlicks, which occupied about 11 000m². Garlicks, which had renewed a long lease three years ago, was approached by Ampros about the possibility of vacating its space.

"We negotiated for some time and eventually settled on a lease cancellation fee that was acceptable to both of us. This allowed us to reconfigure the space and bring in a variety of strong national fashion traders," he said.

The reconfiguration was "much more financially viable" as Garlicks had been on a historic lease with turnover clauses.

Rentals ranged from about R100/m² on the ground floor to R50/m² on other floors.

The mall would have a trading area of about 8 000m² and the key developments of the project included constructing a "new generation" Clicks store of 1 450m² on the street level and opening a 400m² Miladys fashion store on the ground floor, linked to another 1 100m² on the 100 Level by internal escalators.

Shoe retailer A & D Spitz would open a 235m² store on the ground floor, Benetton would take larger premises on the ground floor and CNA would relocate to 800m² occupied by Garlicks on the 100 Level.

The space previously occupied by CNA would be subdivided to accommodate Foschini (350m²), American Swiss (60m²), Markhams (210m²) and other traders. The Truworths store on the 100 Level would be enlarged to 442m².

The external facade of the space previously occupied by Garlicks, facing the Garden Pavillion, would be opened into a window format.

Steakhouse and restaurant chain Porterhouse had taken 499m² on a 10-year lease and had refurbished the 210-seat restaurant on the ground floor of the central court.

Seeff Organisational Holdings pulls Execuprop into its fold

(30)

SEEFF Organisational Holdings is still on the acquisition trail, having just bought commercial and industrial property Execuprop for an undisclosed amount.

The acquisition ties in with the group's strategy of buying established companies with a sound market reputation and incorporating them within its fold.

Chairman Lawrence Seeff said yesterday: "Execuprop is a medium-sized brokerage operating in the PWV area and has 10 brokers. It will be renamed Seeff Commercial and Industrial Properies and the deal will be effective from March 1."

All staff would be retained under the leadership of founder and MD Colin Blacher, who started the company four years ago. He would retain an equity stake in the company, Seeff said.

Seeff intended to combine its infrastructure and experience in the field with Execuprop's expertise to form a company that would become a "major force in the PWV area". It would probably eventually have about 25 brokers, including one in the Pretoria area. B Day 27/1/93

"We are still talking with both residential and commercial and industrial firms in Durban. I hope we will have a deal on the residential side quite soon. Finding a suitable commercial company is expected to take longer," Seeff said.

Blacher said the Seeff group's diversity and its "clout in the marketplace" had been the main reason behind his decision to allow Execuprop to be incorporated within the group.

"We have huge growth projections and aim to address our weaknesses and consolidate our strengths," he said.

The group had previously concentrated largely on the industrial market but would now be actively addressing the commercial and retail markets. It also intended to offer its services to institutional and pension fund clients.

BUSINESS Black shopowners hit by recession

and white shopping malls

Bleak times for township businesses

(30)

Sowetan 29/1/93

■ BLACK WHITE ELEPHANTS Township shopping centres snubbed by shoppers:

By Joshua Raboroko

SHOPPING COMPLEXES IN black townships in the PWV area are on the brink of collapse.

Most retailers have closed down and retrenched workers because the complexes are not economically viable.

They said that white shopping malls on the periphery of the townships are booming as most consumers patronise them.

Also preventing development is black business' defensive tactic that white capital should not be allowed into black townships unless blacks are allowed to trade in CBDs.

Up-market suburb

One of the hardest hit centres is the R20 million shopping centre that opened in the upmarket suburb of Spruitview on the East Rand.

At least 15 shopowners out of 45 outlets have closed their businesses because of high rentals and the absense of shoppers.

A shopowner in Spruitview said: "I am intending to close my store at the end of January because there is just no business here. "Few people come to buy here. I am not making any profit and the rent is high."

The other centres are Lesedi-in-Vosloorus, Letsoho in Katlehong, Nafcoc in Soshanguve, Pimville Plaza and Blackchain in Soweto and Taxido in Sebokeng.

Most shopowners in Spruitview complain about the high R35 — sq m rent.

"I pay about R14 865 rent a month in a 425sqm shop," a shopowner said.

Spokesman for the Spruitview Centre Mr Steve Anticecich said the centre was not properly marketed by previous owners.

He said they were contemplating reducing the charge to R25 — sq m.

In Vosloorus, four shops and offices have closed down. African Bank and the SA Perm have withdrawn their services because of a spate of robberies and burglaries.

The Letshoho Centre in Katlehong is completely surrounded by informal traders (hawkers, taverns and spaza shops) who are serious competitors.

The president of the Katlehong Chamber of Commerce, Mr Joshua Namane, said retailers were forced to leave the complex to start their businesses elsewhere.

Political instability and violence were also eroding the development of retailing. Suppliers were unable to get into the townships to deliver goods. Stayaways, forced strikes and other protest actions were also impacting on business development.

White elephant

The R11 million Nafcoc Shopping Centre in Soshanguve is almost a "white elephant" with many shops closed.

The Blackchain Shopping Centre near Baragwanath is also going through hard times despite the taxi rank and banks in the neighbourhood.

The Taxido centre in Sebokeng was destroyed by fire, two banks have pulled out, the Mphatlalatsane Hall in the neighbourhood has been vandalised and property estimated at thousands of rands stolen.

CT 29/1/93

Bottle stores happy to be open longer

(30)

Staff Reporters

BOTTLE-store owners would be happy to stay open longer on Saturdays, if a new proposal to existing legislation is passed — but they would also like to do business on Sundays.

This was the response of liquor-store representatives interviewed after the second day of the first regional meeting of the SA Liquor Stores Association (Salsa).

Wine-writer Mr Michael Fridjohn and chairman of the Aroma liquor chain Mr Mike Kovensky said it should be up to individuals to decide whether or not to open their liquor stores on Sundays.

A spokesman for Rebel Discount Liquor store, Mr Johan Kotze, said: "It is inevitable that even the law will one day allow us to sell on Sundays because that is when people go shopping."

Minorities Score narrow win

By JULIE WALKER (30)

A PYRRHIC victory is how Hi-Score and Score-Clicks chairman Gordon Utian described the narrow rejection by minorities of the schemes of arrangement aimed at delisting the two companies.

Hi-Score is a pyramid holding company of Score-Clicks, which owns Clicks, Metro Cash and Carry and 10% of the consortium which bought Score Supermarkets.

Premier argued that as with most intermediate holding companies, the share prices of Hi-Score and Score-Clicks stood at a discount to underlying value and that the shares were hard to trade in. There are many exceptions, such as Pikwik and Lefic.

The De Beers Pension Fund, Martin & Co stockbrokers representing Sharestock Nominees, Fergusson Brothers, UAL, Foord & Meintjies and Protea Assurance all voted against the schemes, which required the approval of 75% of minorities. Score-Clicks got 72% approval and Hi-Score 68%.

Winston Floquet of Martin & Co says he recommended rejection of the offer on several counts: people had invested in Clicks because of its good record and such shares are an irreplaceable asset. Premier shares are always available at any time but it is hard to buy Clicks.

Adding insult to injury, says Mr Floquet, Premier's offer is at a discount to the value at which the two should trade if the market correctly reflected the underlying assets. The scheme documents echo this view, but dwell on the actual market price.

Premier offers 12 of its own shares for 100 Score-Clicks and 21 for 100 Hi-Score.

On Friday morning, 12 Premier were worth R612 and 21 were worth R1 071. Mr Floquet says that 100 Score-Clicks were technically worth R748 and 100 Hi-Score R1 352.

"Companies should be unbundling their assets, not taking out minorities and concentrating power further," says Mr Floquet.

Mr Utian says Premier was fulfilling an undertaking in making the offers, which he believes were fairly priced. He adds that minorities can still accept the Premier offer until February 12 even if they voted against it at the scheme meeting. He believes that the share price of both Hi-Score (R7 a year ago) and Score-Clicks (R4 last March) have been pushed beyond a realistic value, and expects them to retreat.

Score-Clicks was R5,10 before the scheme, now R5,85. Hi-Score was R10, now R10,50. Both prices are 23 times earnings. Premier (R36 last January) was R52,50 before the terms were announced, and is now R50,50 on a 19 PE.

Mr Utian believes that tradeability of the two counters will be non-existent; Mr Floquet says it makes no difference because trade was very thin anyway.

Of concern to minorities is their vulnerability to a change in dividend policy by the management of Hi-Score and Score-Clicks. Mr Floquet says it would amount to extortion if dividends ceased.

Mr Utian found it unusual that those voting against the scheme chose to say nothing about their objections at the scheme meetings, reports of which will be made to the Supreme Court next month.

One Hi-Score member said at the meeting that should the scheme fail, Premier and not his company should be obliged to pay the R700 000 costs. Score-Clicks' costs were R600 000.

Cit 21/1/88

January sales expected to be poor

B/DAY 3/2/93 (30)

MARCIA KLEIN

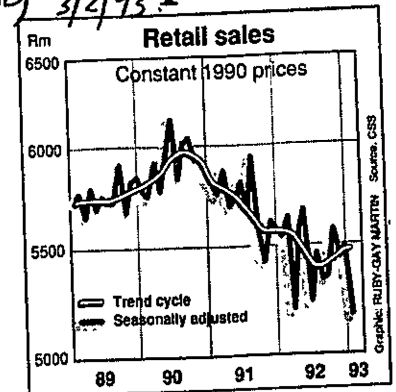
AFTER a relatively buoyant Christmas period, January's retail sales are expected to reflect a traditionally poor start to the new year.

Recently released CSS figures showed retail sales in January were expected to decline 7,2% in real terms compared with January 1992. Sales would drop 6% in real terms compared with the previous month after seasonal adjustment.

Sales would be R6,6bn, which compared with an expected R11,3bn in December.

Actual sales figures for December have not yet been released but expected figures indicated a 12% increase over the previous year in nominal terms.

The expected sales for December were more or less in line with major retailers' estimates.



Most retailers said they had budgeted for sales growth in the region of 10% and 12%.

Analysts said traditionally January and February were the lowest months in terms of retail sales.

But the 4% increase in actual values was far lower than the 11,8% increase in January 1992's figures over the previous year.

In October, sales rose in real terms for the first time in more than two years, according to the CSS. But in November and December, sales increases were between 10% and 12%.

According to the CSS figures, actual sales rose 9,2% in the three months to end-January. This reflected a 3,5% drop at constant 1990 prices.

Jo'burg still has most head offices

BIDAY 8/12/93

PETER GALLI

THE Transvaal is still the hub of commerce and industry. More than 70% of the Financial Mail's top 300 companies have their head offices in the region, according to a report compiled by Anglo American Properties (Ampros) research department.

The Johannesburg CBD and periphery heads the list, with 41 or 16% of head offices of the top 300 companies, followed by the area east of Johannesburg (40), Sandton (39), the northern suburbs (27), west of Johannesburg (15), south of Johannesburg (13), Midrand (10), Pretoria (9) and Randurg (7).

The greater Johannesburg area remains the most densely populated head office area. Sandton's rapid growth is reflected in the fact 39 head offices are now located there. Almost 43% of leading beverage, hotel and leisure companies have their headquarters in Sandton, as do 32% of electronic companies.

While the PWV is the strongest area, there are geographically preferred areas for certain commercial sectors, the Ampros report says.

"Towns and suburbs to the north of Johannesburg, including Sandton, Randburg, Midrand, Parktown and Rosebank, are popular with electronic companies, housing 84% of the national total, and 50% of pharmaceutical and medical companies. Towns east of Johannesburg — from Bruma to Springs and Elandsfontein — have the highest concentration of engineering companies at 58% and 36% of those in the electrical and battery sector."

Outside the Transvaal, the western Cape has the highest number of headquarters at 47, with Natal at 30 and the Eastern Cape with seven.

"Cape Town CBD remains the hub of the western Cape with 20 of the region's 47 head offices. This region remains the preferred choice for retailers and wholesalers (39%), clothing, footwear and textile operations (32%) and fishing (50%)," the report says.

Eight of the top 300 companies are outside the major centres in areas including Pietersburg, Vereeniging, Middelburg, Witbank, Ga-Rankuwa and Namibia.

Knightsbridge sold out in two days

ANDREW KRUMM

GROUP Five Homes launched a fifth Good Address Small Home (Gash) housing development at Knightsbridge in Bruma on the weekend, which sold out in two days, MD Rob Ballentine said yesterday.

"Once again sales were beyond expectation. The 72-unit project sold out over the weekend," Ballentine said. Units were priced from R99 000 and offered facilities such as satellite TV, security, a clubhouse, launderette, pool and gym.

The Knightsbridge development followed the rapid sellout of four previous projects based on the Gash formula.

"At our previous project, the 60-unit Templeton Green in Berea, Durban, people were queueing to buy two-bedroomed units priced from R189 000. The development was sold out in four hours," he added.

All projects were built using fast track methods by Group Five subsidiary Goldstein Housing. "The complexes appeal to young executives and the upwardly mobile element, and attracted a number of property investors, who account for a large proportion of sales."

Group Five Homes planned to launch a second phase at Khyber Rock in Sandton next month. The 24 second and third phase units would be priced from about R298 000.

'New' attitude needed

BIDAY 4/2/93

ADRIAN HADLAND (130)

PRETORIA — It is vital that local businessmen reappraise their attitudes towards the competitive process as SA re-enters international markets, says Competition Board chairman Pierre Brooks.

"We are moving from what in many respects is a siege economy to being part of the international community and there is still a lack of appreciation for the way effective competition is supposed to work."

Consumers did not realise that introducing competitiveness did not necessarily mean the immediate lowering of prices, he said. On occasion, such as when the market sharing arrangement between bakeries fell away and increased transport costs had to be included in the price of bread, it could mean the opposite.

Brooks said some businessmen were too selective in their commitment to the private enterprise system and apparently did not recognise an effective competition policy was one of the system's cornerstones. With the Competition Board established only in 1980, SA's economy had a long history of non-competitiveness.

BUSINESS More co-operation needed with informal sector

Schlemmer predicts a more stable future

Sowetan 5/2/93

30

■ POSITIVE ACTION

Businessmen urged to take part in mapping out the future:

By Mzimkulu Malunga

Prof Lawrence Schlemmer

Mike Brown

SOUTH Africa's medium-term future will be more stable than currently expected, says general manager of the Human Science and Research Council Professor Lawrence Schlemmer.

Addressing an investment conference in Sandton last week, Schlemmer said the business community should develop a basic coherence to prevalent uncertainties.

"Business must not defend its interests negatively but proactively by insisting on its right to negotiate and be part of the policy formulation that affects it," he said.

Even after a political settlement had been achieved current problems would not disappear, hence it was important for business not to panic but instead put the uncertainty into perspective and speak in one voice.

"The future operating environment will be somewhere between a second and third prize situation, but certainly not the booby prize," he said.

Speaking at the same conference, Mr Mike Brown, the chief economist at Frankel Max Pollack Vinderine Inc, said South Africa's survival depended on four key issues.

One was setting the economy on a growth path, then creating a climate conducive to investment, finding mechanisms for some form of wealth distribution and employment creation.

Labour-intensive ventures, promotion of small to medium-sized enterprises as well as infrastructural construction in low income communities were some of the mechanisms which could set the economy on a growth path.

"We cannot rely on foreign investment, but it is a critical facet to kick-start the economy," Brown said.

Distribution aimed at stimulating an entrepreneurial culture had to be embarked on. "International experts refer to South Africa as a country of the missing middle," he argued, referring to the absence of a strong middle class.

While it cost R50 000 to create one job in the formal sector, about R15 000 was required in the informal sector.

Mr Ian MacKenzie, national director of a tax consultancy firm, Ernst & Young, said South Africa had to lower its corporate tax if it were to lure in international investors.

The current 48 percent corporate tax rate was among the highest in the world and the medium-term objective should be to cut it to 40 percent.

Pepkor 'performs well in tough conditions'

BIDAY 5/2/93 (30)

LINDA ENSOR

CAPE TOWN — Mass retailer Pepkor had performed very well in the current financial year to end-February considering the exceptionally difficult circumstances, and earnings growth of 13%-16% could be expected, executive chairman Christo Wiese said yesterday.

At the interim stage the group achieved 16% growth in earnings a share and Wiese said these results would be matched in the second six months.

Christmas sales, although late, had been satisfactory but conditions thereafter had been sluggish. There were as yet no signs of a turnaround in the economy. Economic conditions would continue to be tough, at least for the next two quarters although the political outlook was positive.

Wiese said Pepkor had budgeted to perform marginally better in the year to end-February 1994 but would have to confront the huge pressures on operating margins caused by a low inflation rate. While costs such as wages and rentals were being driven by the old inflation rate, selling prices would be dictated by the lower, most recent rate.

Another uncertainty would be the impact of a VAT increase on consumer spending, though Pepkor was budgeting for a neutral effect. Also, there had been a surge in theft, especially on the Reef.

Checkers/Shoprite had made slightly better than expected progress in the first year of the four-year programme to improve its operating margin to about 2%.

Rationalisation steps such as moving the Checkers head office to Cape Town, establishing regional offices, and consolidating the buying department had reaped greater benefits than initially expected. "There is a new mood of greater enthusiasm and morale in the business," Wiese said.

Pep, he said, would produce static if not marginally lower results as it had been hard hit by economic conditions. Pep Botswana had done reasonably well despite the drought, and several store openings were planned for this year.

Tradegro's property division is co-ordinating the proposed R100m development of a regional shopping centre in Gaborone, to be financed by Botswana financial institutions and pension funds, Wiese said. The shopping centre would house Pepkor's retail operations.

Pepkor's 30-store UK chain, Your More Store, had suffered as a result of the severe UK recession and would make losses this year.

Cash holdings would probably stand at about R400m at year-end, some of which had been earmarked for acquisitions.

CLICKS/PREMPHARM

FM 5/2/93.

Minorities flex muscle

Minorities showed their muscle last week in more than one restructuring of the companies in which they are invested (see Micor report). In what may be an event without parallel, minority shareholders effectively blocked schemes of arrangement proposed by Premier to obtain total control of Hi-Score and Score-Clicks, two linked pyramids which effectively control Clicks and hold smaller positions in Metcash and Score Supermarkets.

(30)

Premier sought to constitute Hi-Score and Score-Clicks as wholly owned subsidiaries, by offering Premier scrip to replace the holdings of minorities. At meetings of both companies last Friday, called in terms of Section 311 of the Companies Act, 72,28% of minority shareholders in Score-Clicks accepted the Premier proposal and 67,8% of minorities in

continued

FOX

FM 5/2/93. (30)

Hi-Score also voted in favour of the scheme.

Considering the easy availability of Section 228 of the Companies Act which requires only a simple majority to approve far-reaching resolutions, there is some surprise that Premier chose to go the route of a Section 311 scheme of arrangement instead. Section 311 requires a scheme be approved by a 75% majority and, in this case, the approvals excluded the votes of the controlling shareholder. Premier deputy CE Gordon Utian says the company wanted to make certain minorities were given every opportunity to express their objections.

But the resolutions failed to receive the necessary 75% approval. Asked what action Premier intended taking, Utian says the company intends "doing nothing." Hi-Score and Score-Clicks will remain listed. "They will have," adds Utian, "a difficult and thoroughly boring future." He is concerned, however, that the shares will have a limited tradeability.

Premier's moves to have the two pyramids constituted as wholly owned subsidiaries stemmed, says Utian, from the expressed wishes of the JSE in May 1990 that at least one of the pyramids should be removed from the main board.

Premier's offer to minorities will remain open for acceptance until February 12. Utian says he's confident Premier will pick up some more of the shares. He brushes aside complaints that the costs of the schemes rightfully should be borne by Premier, not by Hi-Score and Score-Clicks. "In fact," explains Utian, "most of the costs in the disclosed estimate relate to marketable securities tax. Since the schemes won't be going ahead, those costs will fall away. What's left is small and Premier will carry these for its own account."

Stockbroker Martin & Co's MD Winston Floquet, largely instrumental in orchestrating minority resistance to the Premier scheme, says there are alternative methods of achieving Premier's objectives. "Of course, we have to let the dust settle first — there's no point in rushing in while the existing scheme still has currency."

At the root of the disagreement was the prices being applied by Premier in fixing its share swap offers. Premier used one method; minorities preferred another. Floquet, contacted in London, confirms that any alternative proposals will have to take into account "real value."

Meanwhile, Premier's offer to minorities in Prempharm, its principal pharmaceutical arm, has turned out to be a damp squib, with shareholders holding just more than 500 000 shares accepting Premier's offer. Utian disagrees. "We are rather pleased with the results. A wholesale acceptance would have been interpreted as a vote of no confidence in Prempharm. Acceptance by as little as 12,5% of minorities says the opposite."

Premier's offer arose out of the recently negotiated arrangement with the Krok family, in terms of which Premier's control over Prempharm was consolidated through a re-structuring of the ownership of holding company Twins Propan. Since it could have been argued that a change of control had occurred, though Utian denies this, Premier extended an offer to minorities at R10 a share — on the same terms as the arrangement with the Kroks.

Of concern to the JSE should be the acute lack of shareholder spread; about 97% of Prempharm's issued equity is accounted for between Premier and Twins Propan. How can the JSE allow itself to be painted into this kind of corner? *David Gleason & Kate Rushton*

Star 5/2/93

Morkels restructuring

The Morkels Group has converted its Morkels furniture chain-store company into an independent business unit and plans to separate its two other trading companies.

The retail group's chief executive Carl Jansen said yesterday that the recession had hurt the Morkel Group's business and it was therefore necessary to "concentrate on restoring our corporate well-being".

Once Totalsports and Ajay Sports are split to join Morkels furniture as independent business units, they will be supported by a "lean corporate operation, encompassing finance, marketing, research, planning, development and labour resources," he said.

"We are now focusing on bringing our strategic programmes to fruition with the intention of extracting the benefits very quickly, not in five years' time," Jansen said.—Sapa.

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Soweto traders oppose new malls

■ Local shopkeepers angry at proposed shopping centres on their turf:

Sowetan 5/2/93

By Mzimkulu Malunga (30)

1524

SOWETO traders this week vowed to oppose plans to bring in big retail chain stores into the township.

At a meeting on Wednesday, shopowners instructed their organisation, the Greater Soweto Chamber of Commerce and Industries, to make traders' feelings known.

"It is time for us to stand up for our rights, we cannot just fold arms and watch the Pick n' Pays and Checkerses of this world invade the market which we have developed over the years," said an angry trader.

At the core of the dispute is the proposed construction of shopping malls near Baragwanath taxi rank, Ikwezi station and Dobsonville.

Traders whose businesses are to be affected by the multi-million-rand project at Baragwanath are meeting Diepmeadow and Soweto administrator Mr Sakkie Lombard today.

Last Friday the two parties agreed to re-negotiate the project as the now defunct Diepmeadow Council had apparently failed to take traders' interests into account. GSCCI representatives will be present at today's meeting.

A representative of the South African Railway Commuter Corporation said his company consulted with community structures at various levels before making a decision to build a shopping mall at Ikwezi station.

He denied that big retail giants had been given leases to open outlets there.

Langeberg expects earnings drop

LINDA ENSOR

CAPE TOWN — Food processing and canning group Langeberg Holdings would produce lower earnings in the six months to end-March than the previous period, MD Ray Brown said in an interview after the Tiger Oats subsidiary's AGM on Friday.

After a difficult financial year, the annual results would also be slightly down on last year. B/DAY 8/2/93.

In the year to end-September Langeberg generated a 29% increase in attributable income to R78,9m (R61m) on a 15% rise in turnover to R741,8m (R645,8m).

Brown said volumes on the local markets had fallen slightly while the rand realisation of exports would be much lower with the softening of prices and demand in the UK, Europe and the Far East. Exchange rate fluctuations had not offset the falloff in international demand.

Local prices had risen over last year but cost increases had been kept less than 12%.

The benefits of Langeberg's cost cutting programme would be felt partially this year, but mainly so in subsequent years.

Brown said the focus this year would be on reducing costs and asset management, though attention would be given to possible acquisitions in the food processing and canning sector.

Nissan breaks out the bubbly for 1992 growth

B/DAY 8/2/93

TRACY SCHNEIDER

NISSAN SA experienced a "champagne year" in 1992, establishing a strong second position in the motor industry, Nissan SA marketing MD Stephanus Loubser said at the weekend.

Overall sales had increased 11,2% and Nissan had shown the fastest growth in passenger vehicle market share.

The company's success was attributed to the launch of the Sentra, the steady performance of the Maxima and Uno, and Nissan's good reputation in commercial vehicles.

"Everything fell into place in 1992 with the total production line being brought up. Nissan received much attention from fleet owners who bought more than 80% of all products," Loubser said.

He foresaw a lean year in 1993 with no improvement in the overall vehicle market. No new model launches or shareholding changes were expected. Nissan would concentrate on improving its market share.

"We have no intention of overtaking Toyota. We are achieving our objective of establishing Nissan as the strong number two in the market and will work on maintaining this position and narrowing the gap with Toyota," he said.

The company showed solid profit for 1992 and was proud of its success in a market that shrunk 7,8% from 1991.

"We achieved and exceeded our budget for 1992, which is quite an achievement in this industry. Our dealers were more profitable and this money has been reinvested in dealerships to enhance service," he said.

The company had experienced supply shortages in almost all categories and had to increase production substantially.

"This was difficult as there is not much flexibility with equipment and labour. Some changes were made to our paint facility which had been a bottleneck and we plan to continue productivity and retraining programmes to enable employees to switch assembly lines," said Loubser.

Increased production had brought unit costs down and enabled Nissan to keep price increases for 1992 at 9% across the range. Loubser said the company had budgeted for a 10% increase (excluding a VAT increase) for 1993.

Nissan's Rosslyn plant has five robots and the company plans to move gradually towards increased automation.

"We must keep our manufacturing process in line with the higher levels of technology required. However, the small vehicle market does not justify the investment needed for a complete switch to robotics. It is also in the interest of the country to keep the industry labour-intensive," said Loubser.

No staff cutbacks were expected for 1993 and Nissan hoped to maintain its previous two-year employment level.

Morkels aims for flexibility

B/DAY 8/2/93

LINDA ENSOR (30)

CAPE TOWN — The benefits of Morkels' cost containment and asset management programmes, which had begun to filter through to the bottom line in the six months to end-September, should be enhanced by the restructuring of its furniture chain, financial director Terry Simon said.

To tighten management control and control of assets, the group had announced the creation of a separate business unit under MD Dodds Brand and the restructuring of regional operations, Simon said last week.

This was the first move to position operating units as separate entities supported by a lean corporate operation encompassing finance, marketing, research, planning, development and labour resources.

Simon said Morkels aimed to introduce more flexibility with decision-making being taken by operating units so that response times to specific market conditions and consumer demand could be quickened.

A profit increase for the year to end-March would represent a turnaround for the furniture and sports goods group which suffered a 56% decline in attributable profit last year when market conditions in the retail trade had been exceptionally tough.

Not much growth had been experienced at the level of sales which had kept below last year's inflation rate with profit being generated mainly by tighter controls exercised internally.

The slowdown in the intense store opening programme, which last year saw the operating margin slashed from 10,6% to 6,9%, had reduced the cost burden and resulted in an improvement in margins.

Attention had also been given to widening margins in product lines where market conditions allowed.

Commercial crime unit outlines its successes

(30) STEPHANE BOTHMA

COMMERCIAL crime unit detectives have arrested 62 people countrywide on charges ranging from fraud to possessing forged banknotes with a face value of about R26,7m. B/Day 9/2/93.

Police said the arrests took place over three weeks.

Yesterday East Rand police arrested two men allegedly in possession of fake R50 notes with a face value of R164 000. They will appear in the Benoni Magistrate's Court today. 9/2/93 -

Detailing the commercial crime unit's successes, the SAP public relations division in Pretoria said a man was arrested in Johannesburg for allegedly committing fraud by depositing an empty envelope into an ATM. An amount of R790 000 was involved.

Other arrests included that of a Johannesburg man for the alleged theft of R1,3m in company funds.

Bloemfontein police arrested four men for allegedly trying to sell fake R50 notes with a face value of almost R1m. They also arrested four other men who had forged R50 notes amounting to R980 000.

Pretoria detectives arrested three men on charges of fraudulently depositing cheques worth R1,6m. Another man allegedly deposited stolen cheques and withdrew R1,5m in cash.

Another three men, allegedly in possession of forged R50 notes with a face value of R5m, were arrested by the Pretoria police.

In Cape Town, a man was arrested for fraud after appropriating investments involving R8,7m from clients for his own use, police said.

'Few worried about AIDS'

90M 9/2/93. WILSON ZWANE

IN SPITE of efforts to create awareness about AIDS, South Africans are not doing much to protect themselves from contracting the disease, a study has found.

A five-year Markinor survey shows 40% of whites and 20% of blacks are not worried about contracting AIDS.

The survey, published in this month's issue of Cosmopolitan magazine, is based on a sample of 2 300 urban dwellers. It shows only 20% of blacks and 7% of whites have changed their behaviour because of the AIDS risk.

The survey also found that about eight out of 10 blacks think it likely that the disease will be a white epidemic, whereas 94% of whites think the disease will plague blacks. About 72% of whites and 63% of blacks think that AIDS will become epidemic among lesbians. 9/2/93.

Star 9/2/93

Deregulation of control boards urged

30

By Peter Fabricius
Political Correspondent

The Board of Tariffs and Trade (BTT) has recommended further deregulation of marketing control boards to help reduce soaring food prices.

Reporting yesterday on its long probe into food inflation, the BTT said each board should be examined individually to see if it could be deregulated to increase competition.

The BTT said it could find no single cause or guilty party responsible for food price inflation which had peaked at 30,4 percent in July.

It found that each level of the food chain contributed about the same amount to rising food prices with the greatest concentration at the primary level of storage and distribution where artificial barriers to entry were greatest.

The report could find no evidence that excessive profit-taking by any private firms in the food chain was the cause of high food prices.

The sharp increase in food inflation since the third quarter of 1991 was mainly the result of short-term effects of the introduction of VAT and the long and severe drought.

The underlying food price index, without these factors, was estimated at 15 percent.

The BTT believed the effect of the introduction of VAT would disappear by April.

Also recommended was greater competition from abroad to increase competition with local producers.

● The Afrikaanse Handelsinstituut (AHI) welcomed the recommendations but bemoaned the lack of specific proposals.

Star 10/2/93

New car sales down on a year ago

By Sven Lünsche

The renewed weakness in the South African economy, evident in poor retail sales since the beginning of the year, was further illustrated by a sharp drop in January new car sales.

Figures released by the National Association of Automobile Manufacturers (Naamsa) yesterday show that new car sales of 13 486 units in January, were 8,6 percent down on the same month last year.

They did, however, show a slight improvement of 464 units, or 3,6 percent, on December sales of 13 022.

A similar trend was evident in the light commercial vehicles sector (including bakkies and mini-buses) with sales on an annual basis 6,6 percent lower at 6 599 units, but 1,8 percent up on December's 6 481.

Sales of vehicles in the medium and heavy truck segment of the market fell by 3,3 percent and 12,8 percent respectively in the 12 months to January.

Naamsa said it was disturbing that sales in all sectors of the market were lower than a year ago.

"The lower than expected new vehicle sales during January 1993 are indicative of the continued weakness in the SA economy," Naamsa said, adding though that for the year as a whole it expected a modest improvement in sales.

"However, this is dependent on a recovery in the SA economy and higher levels of gross domestic expenditure."

Naamsa previously forecast unit sales of 187 000 new passenger cars this year, which would represent a slight increase on the 1992 sales of 182 900 units.

Nissan's MD, marketing, Stephanus Loubser struck a slightly more optimistic note: "New model activity early in the year is expected to stimulate the market, while vehicle price increases are expected to stay below the inflation rate.

"However, an increase in VAT could change this. A drop in the interest rate should further stimulate sales," Loubser commented, adding that he expected total 1993 sales to reach 190 000 units.

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Abnormalities

Toyota's marketing director, Brand Pretorius, said some abnormalities should be considered when analysing January car sales figures: "Two key new entries into the market, the Camry and the new series 3 Golf and Jetta were in very short supply. We believe that this situation could have depressed the market by as many as 1000 units.

"As soon as the stock situation on these models eases there could be a significant acceleration in sales, while fears of an increase in VAT could also stimulate sales in the run up to the Budget next month," Pretorius said.

In contrast to the motor industry, sales of some durable goods seem to have picked up slightly towards the end of last year.

According to Frans Jordaan, executive director of the Furniture Traders Association, sales of furniture, appliances and audio equipment recorded their first positive annual growth in a long time in December.

He said sales were largely driven by increased buying from the black community since September.

Compared with December 1991, furniture sales were up by 12,9 percent, appliance sales by 16,6 percent and audio equipment by 14 percent. Sales of TV and video equipment only showed a four percent improvement.

Looking at sales for the whole of 1992, Jordaan says furniture showed 5,5 percent real growth on 1991, appliance sales were up by 9,2 percent and audio equipment sales by 14 percent. Video and TV sales, however, declined by two percent in real terms.

BUSINESS No respite for ailing econ

Confidence in business takes another knock

■ Value of rand against the US dollar also a factor:

Sowetan 11/2/93

By Mzimkulu Malunga

DESPITE hopes that economic conditions will improve this year, business confidence declined by 0,1 percent to 92,9 during December and January.

Dr Ben van Rensburg, economic policy director of the South African Chamber of Business (Sacob), this week said the internal political situation, the violence and the performance of the world economy were among the causes.

Not entirely negative

Eight of the 13 factors which Sacob takes into consideration in its monthly gauging of business confidence contributed to the decline.

Issues, such as the unemployment rate, retail sales, the rand's value against the US dollar, the gold price, companies' performances as well as the volumes of exports and imports, influenced the slump.

Unemployment showed no signs of easing during the past two months, about 4 000 companies went bust during the same period, while the gold price hovered well below expectations and retail sales plummet.

However, the situation was not entirely negative.

The inflation rate dropped below 10 percent for the first time in 14 years and manufacturing production increased marginally.

Though agricultural production is not going to reach anticipated levels, it is expected to be higher than last year, a factor that will have an influence on the entire economy.

Production will rise

Business is also worried about the continuing Government debt which is expected to be around R30 billion during the 1992-93 tax year.

Van Rensburg says a number of structural constraints are likely to prevent any significant improvement in the economy.

"Sacob believes that it is more important than ever to take all possible measures to rebuild both business and consumer confidence.

"The success of political negotiations and the forthcoming Budget will be crucial in this respect," he says.

ıomy ● 100 businesses benefit from finance scheme

Scheme to help black entrepreneurs start up

■ **BCF small businesses flourish despite recession:**

Sowetan 11/2/93

(30)

By Joshua Raboroko

THE Business Challenge Finance, aimed at economically empowering and helping black entrepreneurs develop their skills, is to be launched at the Braamfontein Hotel in Johannesburg on March 7 at 10am.

Chief executive officer Mr Phil Khumalo said yesterday that the scheme helped finance about 100 black business people since its formation two years ago. He said the majority of established businesses, consisting mainly of taxis, taverns, spaza shops, mobile hot dog units and a supermarket, were successful despite the downturn in the economy.

The BCF has also granted personal loans to members. He added that they could arrange loans of any magnitude.

"We want to encourage people to create jobs at a time when the rate of unemployment is high in the country," he said. They will conduct lessons on how to draw up business plans because "most of our black people venture into business without any knowledge".

He said most businesses collapse because of poor management styles, lack of planning, ignorance of how to bank money, just to mention a few of the handicaps.

Conditions for acquiring a loan include to:

- Taking up membership;
- Participating in meetings; and
- A Commitment to attending lessons on business management.

Booklets, sponsored by major corporates, will be issued to individuals to study how to manage business.

More details can be obtained from Business Challenge at (011) 333-7879 or 333-3466.

Phil Khumalo

BLOCH FM 12/2/93

Changed tax status 30

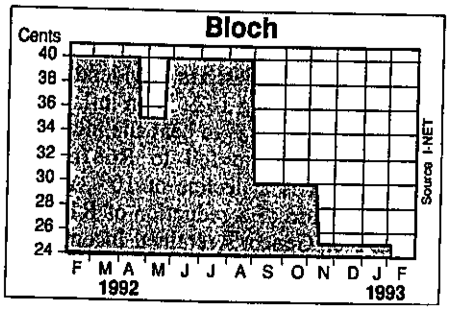
FM 12/2/93 30

Activities: *Earns royalties from trading companies using Bloch trademarks.*
Control: *Directors 62,5%.*
Chairman: *B Rabinowitz.*
Capital structure: *18,7m ords. Market capitalisation: R5,6m.*
Share market: *Price: 30c. Yields: 20,3% on dividend; 17,3% on earnings; p:e ratio, 5,8; cover, nil. 12-month high, 40c; low, 30c. Trading volume last quarter, 31 000 shares.*

Year to Jun 30	'89	'90	'91	'92
Shareholders' interest	0,28	0,27	0,26	0,03
Return on cap (%) ..	131	131	142	139
Turnover (Rm)	0,8	1,0	1,1	1,2
Pre-int profit (Rm) ...	0,7	0,8	1,0	1,1
Earnings (c)	3,6	4,3	4,6	5,2
Dividends (c)	3,5	4,2	4,5	6,1
Net worth (c)	1	1	1	0

While Bisho-registered Bloch continued to enjoy the benefits of an SA tax holiday on royalty payments made from SA to the Ciskei, it always ran the risk that SA's Receiver would disallow that dispensation. Now that that has happened, the attributable earnings capacity has been dented and the share's attraction as a novel investment medium has faded.

Bloch's investment appeal arose because it was a Ciskei company deriving its income principally from royalties from Cape-based Bloch supermarkets. It payed no taxes, other than the 15% withholding tax on money flowing into and out of the Ciskei.



Last year, the Receiver of Revenue objected and stated he intended to reverse the royalty payments deducted from operating profits of Bloch supermarkets over the past five years. That has been alleviated by an agreement with the Receiver that Bloch's business is to be vested in a new, listed SA company with the same shareholding.

Royalty payments will be tax deductible by Bloch supermarkets, but royalty receipts will be taxable in the hands of the new SA company, subject to the deduction of R1,5m spread equally over the next five years. Attributable income will be reduced by the additional tax charge on royalty income.

Interim results for the six months to December indicate the effects of the new arrangement — and they are substantial. Royalties received increased by 22% and the tax rate jumped from 14% to 37%. After-tax profit declined by 10,1% to R400 195.

Chairman Bernard Rabinowitz reports that, after a fairly buoyant Christmas, the trading companies expect a gradual recovery. Royalty income for the full year is expected to be R1,27m (R1,13m), EPS about 4,2c (5,2c). The high dividend yield reflects investor concerns about prospects.

Gerald Hirshon

FOOD REPORT (30)

Missing the target

FM 12/2/93

The Board on Tariffs & Trade's final food-price report, issued this week, is like the curate's egg — good in parts.

For example, the board found that greater competition would help drive down food prices — both in the local market (by deregulating the distorting powers of the control boards and by giving more teeth to the Competition Board) and with imports (by lowering tariffs on food and agricultural inputs).

But the report has come in for strong criticism for not having a proper scientific base — its findings on the gap between producer and consumer food-price indexes rest on a relatively low 5% average disparity over an 11-year period, while its original brief was based on the excessive divergences of up to 20% that occurred since 1991 until late last year.

So, by stretching out the period under investigation, the law of averages reduces the apparent seriousness of recent food-price surges and allows the board to reach findings that are considerably kinder to parties involved in the food chain.

In fact, the board does not find any specific sector or sectors to blame for the excessive food price inflation that peaked at retail level last July, when prices soared up to 30,4%.

Overall, blame is laid at the door of Vat (which added more than 6% for at least one year after its implementation in September 1991), the drought and value-adding activities in the food chain.

The finger is also pointed at labour from the farm and to the supermarket for excessive salary and wage hikes (contributing about 30% to the consumer's food bill) and at the over-concentration of statutory powers at distribution (control board and co-operative) level. But little blame is dished out to specific sectors.

The board effectively exonerates both the retail sector (with low average profits of 2%,

continue

FM 12/2/93 (30)

low returns on assets and low levels of concentration) and the processing sector (where concentration levels are far higher, but where food PPI levels were well below the retail sector's excessive -- at times — food CPI levels).

"The board's analyses do not lend support to the argument that excessive profit-taking by firms in the food chain is the cause of the price divergence over the period 1980-1991," it states.

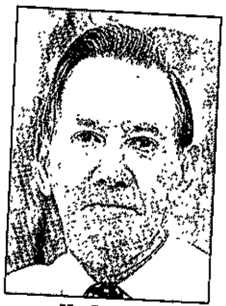
These findings, however, do not find general acceptance.

"We must look anew at retail food sales," says Pretoria University professor of agricultural economics Jan Groenewald. "The four large chains — Pick 'n Pay, Checkers, OK Bazaars and the Spar Group — dominate as price leaders and represent a considerable chunk of total food retail sales. Unethical practices such as confidential rebates reduce competition because suppliers can be forced off the shelves unless they meet the demands of large, powerful retail chains."

Another issue that needs to be investigated, he adds, is the possibility of "backward vertical integration," where retailers may have shares in the manufacture of line items sold under labels such as Blue Ribbon (Pick 'n Pay) and Pot o' Gold (OK Bazaars).

Groenewald says a special committee, similar to the recent Kassier committee on agricultural reform, should look into these

Ackerman



McGregor

issues.

But, says Pick 'n Pay CE Raymond Ackerman, SA's retail industry is "one of the most competitive," with net profit margins rarely exceeding 2%. This compares with UK chains like Tesco, which, he says, achieve up to 8% net profit on turnover. "We never fix prices, this is unethical and wrong, though there is always room to become more efficient."

Ackerman agrees with the report that all the agricultural control boards need to be individually investigated because "we must do something about food inflation." But, he adds, so-called confidential rebates are openly negotiated with suppliers. "We strive to get the best prices from suppliers and benefits are passed on to our customers."

Independent marketing consultant Bernard Janisch says SA's retail sector is guilty of merely passing on costs to consumers, thus leading to falling volume sales. "They should rather keep prices low, increase turnover and thereby create affordability to cut into rising costs. Costly, sophisticated systems such as centralised distribution centres, coupled with electronic data interchange computerised systems linking retailers with their suppliers, could add tremendously to cost-cutting because inventories could be kept at the bare minimum."

Janisch says this is the secret of the profit success of chains such as Tesco, but adds that SA chains have hardly started implementing these systems. "By dramatically cutting costs, prices can be kept low and sales increased."

Ackerman is not convinced. "I offered this system to our suppliers during the Fifties, Sixties and Seventies, but they were not interested. Now they tell me they will offer substantial discounts if we are prepared to operate our own centralised distribution centres — but we have already locked ourselves into individual warehouses for each store."

Last word to Rob McGregor of McGregor's Online Systems, who says the lack of competition is the major cause for high food prices. "The ANC is already planning to take strong action against over-concentration of power. While big is no longer necessarily bad in their eyes — it can be beneficial — they are against the abuse of such powers." ■

Star 13/2/93

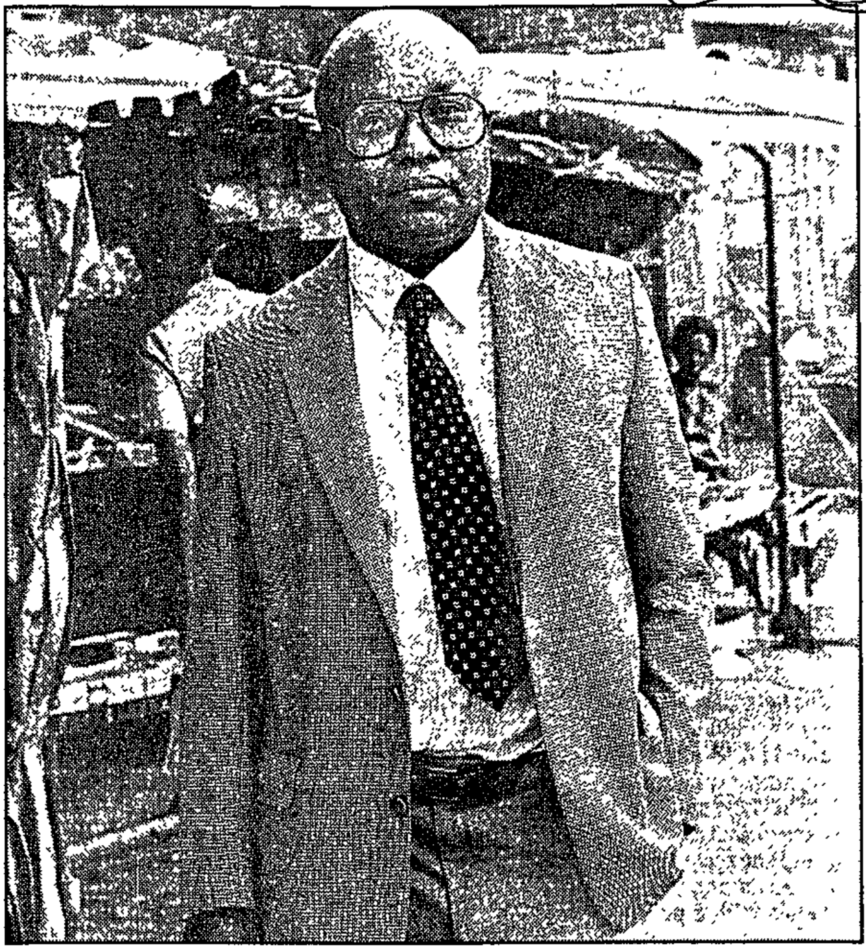
Reawakening a sleeping giant

(30) -

IF SAM Noge, the president of the Soweto Chamber of Commerce, has his way, the sprawling township is set for big changes. JOE LOUW reports.

SAM Noge, the new president of the Greater Soweto Chamber of Commerce, has set himself a formidable task — to revitalise business in the sprawling but stagnant township.

Whatever the level of pessimism might be about his ideas, Noge believes he has some plans that can work despite all the odds.



HOPING TO SAVE SOWETO: The people themselves must make every effort to progress, says Sam Noge. ● Picture: STEVE HILTON-BARBER

A hard-nosed bookkeeper and professional accountant, the man can hardly be seen as a visionary, but given the prodigious amount of energy he has put into his job thus far, it would be foolish to write him off.

Noge, a short, bespectacled Sowetan who started his business career as a bank clerk in the early '60s, owns a bookkeeping company and is a firm believer in free enterprise.

"I don't really mind what you call me. A capitalist or a believer in free enterprise, or whatever. As long as I can teach Soweto traders and businessmen how to make a profit, I'll be a happy man," he says.

Noge is the first to admit that — with the current climate of crime in Greater Soweto, much of it directed at black businessmen, and the recession which is wreaking greater havoc in black communities than elsewhere — there is little ground for optimism.

But Noge is a practical man. He is as willing as the next man to analyse the problems forced on his constituents by apartheid — his basic position is that "we now have to look forward and not use the political past as an excuse for doing nothing.

"Having said that, it does not mean I don't believe in the obligation of the powers that be and big business to live up to their responsibilities in making sure we have a level playing field, and make amends for the deprivations they put us through," he says. "But we are also obligated to make every effort to develop ourselves."

One of the things that riles him is the fact that Soweto consumers spend most of what they earn outside the township. "We take the little we get straight back to the white man, leaving the black businessman with very little to carry on with," he complains.

Noge and his chamber colleagues are opposed to "outsiders" coming to trade in their area. "Recently we have seen big chainstores establish themselves in huge malls on the boundaries of many townships. This has drained our small businesses, and many traders have gone bankrupt because of this unfair competition."

Noge's first task in office was to get a suspension of plans by a private corporation to establish a giant mall at Baracity in Diepkloof which, he says, would have displaced a group of shopkeepers who had been trading there for the past 20 years.

HE isn't against development or progress. "But all of this was done without consulting anybody. We know for a fact that many of these traders had already been promised sites and had paid deposits, but found themselves sold out by the recently dismissed councils," Noge says.

"What we want is a fair share. First we were expelled from places like Sophiatown, Western and Pimville and forced into Soweto. Now we are facing this invasion of people who want to develop Soweto for us. This is neither what we want or what we need. What we want is a chance to try to develop Soweto by ourselves, for ourselves."

Foschini buys Sterns

S Times (Buss) 14/2/93.

FOSCHINI has acquired jewellery chain store group Sterns for an undisclosed sum. Sterns MD Ivan Hayden says the deal is effective from 1 April. He says Sterns will keep its separate identity and brand name. Sterns will benefit from Foshini's state-of-the-art technology.

Foschini managing director Clive Hirschsohn says the purchase will be funded from existing resources, and he does not expect this to have any impact on the earnings in the year following the acquisition.

30

BUSINESS

Growing interest in bouyant small business sector

STimes [Cape metro] 30

14.2.93.

THE ongoing recession has affected most industries negatively, but the small business sector appears to be growing stronger by the day.

The Small Business Development Corporation (SBDC) in Cape Town says there has been substantial investment in small- and medium-sized enterprises (SMEs) over the past year, while Old Mutual reports buoyant interest in the small business activities it supports.

A total of 1 054 applications for small business finance amounting to R55-million was granted in the Western Cape in 1992.

The SBDC says this compares favourably with 1991 and indicates that demand for start-up and expansion finance has been maintained and in some cases increased.

It points out that 38 percent of loan applications received last year were granted.

"There is particular interest in our instalment sale transaction finance for equipment at interest rates from as low as 18 percent, and we have budgeted for growth in this field," says Mike Klopper, assistant general manager of business development at the Western Cape SBDC.

SBDC serviced a broad spectrum of businesses in the informal and formal sectors ranging from micro-financing for amounts as low as R500 to financing of working capital, stock, equipment or buildings up to amounts of R1-million.

The average size loan granted over the year was R46 000.

"In the current recessionary conditions there has also been a demand for medium-term financing facilities for the financial restructuring of viable businesses that feel the pinch," says Mr Klopper.

In its report "Old Mutual in the Community" released this week, the assurance society shows the extent to which it is involved in small business development.

Old Mutual supports the self-employment aims of the Triple Trust through the donation of a building used as a training centre in Khayelitsha.

Here the trust provides unemployed people with full-time training for two months in subjects such as sheepskin slipper making and painting on leather, as well as business basics — costing, market research, cash flow management and using a calculator.

Old Mutual also supports the Cape Town Job Creation Project and the Foundation for Enterpreneurship Development (FED).

Part of the FED initiative is the Old Mutual cottage industry development unit, where people are taught to run their own business.

On behalf of Old Mutual, FED arranged the acquisition of equipment such as cutting tables, sewing machines and ironing boards.

Once the skills have been acquired, people produce and market their own products while they rent space and equipment from FED at a reduced rate.

This gives them a base from which to launch their business.

Nearly 20 000 students have founded, operated and liquidated more than 700 companies in the Old Mutual-supported Junior Achievement Programme, which aims at providing Standard 9 and 10 school pupils with practical business experience and insight.

Over a period of 11 weeks, groups of 25 students from all sectors of the South Africa community set up their own mini manufacturing companies.

The students have to cope with the complexities of the manufacturing process and the administrative and financial contraints of running a company.

Morkels reaps benefits from profitability drive

BDAY 15/2/93. (30)

LINDA ENSOR

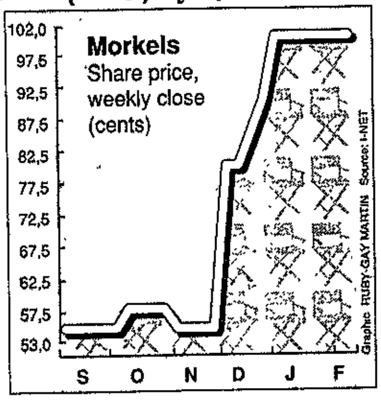
CAPE TOWN — Furniture and sports goods retailer Morkels is deriving the benefits of its drive to improve profitability, and produced a 68% increase in earnings a share in the nine months to end-December compared with the 21% rise at the interim stage.

Earnings rose to 6,7c (4c) a share on a 78% increase in after-tax profit to R2,8m (R1,6m).

Earnings were generated on a 6% increase in turnover to R242m (R227,7m) which was converted into a 27% rise in operating profit to R17m (R13,5m). This compared with the 22% hike in operating profit at the interim stage.

CE Carl Jansen said turnover growth in the last quarter of 1992 was only marginal, with some describing Christmas as the worst trading period yet experienced. He added that Morkels turnover growth had been held back partly by the deliberate decision to improve productivity and protect assets.

Tighter asset management and the softening of interest rates had slowed down the rate of growth in interest payments and had contributed to the 112% rise in pre-tax profit. Unlike last year, all income was subject to taxation.



Debt-equity at the end of the period stood at 124% (118%) and was now within the targeted level of 130%.

The Morkels furniture chain had improved its margin by controlling expenditures and Jansen said in the quarter to December the chain had increased its pre-interest and pre-tax profit three times on a turnover increase of less than 1%.

The Totalsports chain had increased sales by 16,6% and Ajay Sports had posted good December sales.

Jansen said Morkels had successfully applied to the JSE to have its listing transferred from the furniture and household sector to the retailers and wholesalers sector.

He said the forecasts set for the year were attainable, though it appeared unlikely that the turnover target would be achieved and warned that the forecasts assumed some stability in the fragile political and economic situation.

In its 1992 annual report Morkels forecast a 7% rise in turnover to R330m, a 42% increase in after-tax profit, and a 40% rise in earnings a share.

"There can be little doubt that the prolonged recession is seriously, and perhaps irreparably, damaging the SA economy. Major employers in the formal sector are continuing to retrench workers.

"Although there has been a substantial increase in the number of people involved in the informal sector, unemployment is still growing at an unacceptable level with a consequent further erosion of already fragile consumer confidence," he said.

Foschini expands jewellery holdings with Sterns buyout

BDAY 15/2/93. (30)

LINDA ENSOR

CAPE TOWN — Foschini has acquired national jewellery chain store Sterns for an undisclosed sum to complement its American Swiss Jewellers subsidiary, which is the largest jewellery chain store operation in SA.

The 78-store Sterns chain would bring the total of jewellery outlets in the group countrywide to about 218. Foschini financial director Roy Norman said the Competition Board had given the deal its tacit approval as it would not result in Foschini monopolising the market — which was dominated by independent stores.

Foschini MD Clive Hirschsohn said the acquisition — to be financed from existing resources — had provided Foschini with a growth opportunity to expand its jewellery retailing operations into the broad middle segment of the jewellery market.

Sterns would become a fifth operating division for the group, along with Foschini, American Swiss, Markhams and Pages, but its acquisition would generate economies of scale which Hirschsohn believed would benefit customers of both businesses and the group's shareholders.

He did not expect the acquisition to have any impact on earnings a share or net asset value in the financial year following the acquisition but believed there was potential for substantial growth in Sterns' profitability thereafter. The deal is effective from April 1.

While the Sterns stores had been trading profitably at store level, the group had been hampered by heavy head office costs.

Hirschsohn said Sterns would benefit from Foschini's sophisticated, centralised credit system and its merchandising and planning facilities would provide more depth and range to the merchandise mix.

Sterns' integration into the group would be gradual, Hirschohn said.

"We would not want to make any rash decisions. Sterns' staff is one of its valuable assets, needed to provide continuity," he said.

Star 15/2/93

New car market 'has bottomed'

Although new car sales have started the year on an unexpectedly weak note, the market has bottomed out and 1993 sales should grow by around 10 000 units or five percent to 192 000 units.

This is the view of Theo Swart, chairman of McCarthy Motor Holdings — the vehicle distribution arm of the McCarthy Retail Group.

He said the used car market should increase by around 25 000 units to 300 000 this year.

Swart made his market forecasts against the background of the drop in interest rates, the more promising political scenario, and the expected positive growth in GDP as outlined recently by Finance Minister Derek Keys.

He added the new commercial vehicle market would also show growth this year — with sales of bakkies rising to 100 000 from the 1992 level of 92 400, medium commercials going up from 3 200 to 4 000 and heavies from 5 400 to 6 000.

"The overall vehicle market should pick up fairly strongly between now and early March as both companies and individuals climb in before the expected hike in VAT is announced in the Budget," said Swart.

"I will be disappointed if VAT is raised by more than two or three percent," he added.

Turning to McCarthy's performance in the market, Mr Swart said the group increased its share of the total dealer market for new vehicles from 13 to 13,5 percent last year.

"This means that one out of every 7,4 new vehicles sold in the South African dealer market last year came out of McCarthy showroom," he said. — Sapa.

Morkels' profitability drive pays off

Star 15/2/93 (30)

Finance Staff

Retailer and wholesaler Morkels has confirmed that December sales were less buoyant than originally expected.

Reporting its financial results for the nine months to end-December Morkels says available statistics indicate "that the quarter to December yielded only marginal turnover growth".

It adds: "There can be little doubt that the prolonged recession is seriously, and perhaps, irreperably damaging the South Africa economy."

Despite the poor trading conditions, which were reflected in a marginal six percent turnover growth in the nine months to R242,2 million (R227,7 million), the group continued to improve its bottom line.

A focus on boosting profitability lifted operating profits by 27 percent to R17,1 million (R13,5 million) and taxed profits by 78 percent to R2,8 million from R1,6 million in 1991.

Earnings per share rose by 68 percent from 4c to 6,7c.

Morkels chief executive Carl Jansen says the slender turnover growth was partly restrained by efforts to rehabilitate productivity and protect assets.

The furniture stores made impressive gains through enhanced margins and rigidly controlled expenditures.

By focusing on selling and improved credit recovery, the Morkels chain should maintain progress in another difficult year ahead.

Sales growth was been held to a pedestrian 16,6 percent in the Totalsports stores, with clear evidence of postponed purchases from consumers struggling to cope with the high cost of basic foods.

Ajay Sports recovered from a subdued third quarter start to post good December sales. Performance in January looked promising.

A softening in interest rates and tighter asset management was reflected in a reduction in growth in the interest bill from 14 to 7 percent, ending at R11,7 million.

Foschini buys Sterns jewellers

Star 15/12/93

(30)

By Stephen Cranston

The Foschini Group has acquired the Sterns jewellery chainstore, the main competitor of its American Swiss subsidiary.

The price of the transaction has not been disclosed as Sterns is not a listed company. The deal, however, will not have a significant effect on the Foschini Group's gearing.

Foschini MD Clive Hirschsohn says the Sterns acquisition presents Foschini with a growth opportunity in the broad middle market of jewellery retailing.

Market research conducted by Foschini showed that the Sterns name had very high recall, particularly among the "emerging population", a popular researcher's term for the black market.

Sterns will be run as a separate division within the Foschini Group but it will use the group's centralised credit system and its merchandising and planning facilities.

But Foschini financial director Roy Norman says that Stern will not be turned into an American Swiss clone and will carry a differentiated range of merchandise.

Norman adds that over the last four years the present management team has improved Sterns's profitability very considerably although it can still be improved further.

Although Sterns and American Swiss are the two largest national jewellery chains Norman says he does not believe that the Competition Board will stop the deal. The two chains control considerably less than 30 percent of the market, which is still dominated by independent jewellers. Edgars and to a lesser extent Truworths are also major players in jewellery.

Sterns MD Ivan Hayden says that Sterns had reached a plateau and needed to make a significant investment in technology and look for financial backing to facilitate further expansion.

"We are very excited and see considerable growth opportunities. There is room for both American Swiss and Sterns in most shopping centres. We can both expand without cannibalising the market."

Sterns has 78 stores and American Swiss, which turns over more than twice as much operates from 140 stores and 200 boutiques within the group's Foschini, Markhams and Pages chains.

Hirschsohn says that he does not expect the purchase to have any impact on earnings per share in the year following the acquisition but is confident that there is potential for substantial growth in Sterns' profitability.

Morkels turns in 78% profit growth

CT 15/2/93 (30)

JOHANNESBURG. — Retailer and wholesaler Morkels turned a marginal 7% turnover growth in its third quarter into a bottom line improvement of 101%, the group said yesterday.

For the nine months to end-December, it reported sales up 6% on 1991 to R242,2m. An increase of 78% profit after tax and interest up to R2,83m from R1,59m was registered.

This was compared to a 21% growth rate at half-year for the group, which consists of the 92-store credit based furniture chain Morkels, the 42-store cash-driven Totalsports retailer and wholesaler Ajay Sports.

In a statement, Morkels said earning per share had jumped from 4c to 6,7c.

Morkels CE Carl Jansen said the slender turnover growth had been partly restrained by efforts to rehabilitate productivity and protect assets.

Building on its productivity drive, the furniture stores had made impressive gains through enhanced margins and rigidly controlled expenditures.

By focusing on selling and improved credit recovery, the Morkels chain should maintain progress in another difficult year ahead, he said.

Sales growth had been held to a pedestrian 16,6% in the Totalsports stores, whith clear evidence of postponed purchases from consumers struggling to cope with the high cost of basic foods.

Jansen said Ajay Sports had recovered from a subdued third quarter start to post good December sales. Performance in January looked promising.

Group operating profit advanced from 22% growth at half-year to 27% to end the third quarter.

A softening in interest rates and tighter asset management was reflected in a reduction in growth in the interest bill from 14% to 7%, ending at R11,7m.

Net asset value per share rose to 164c from 155c the previous year. — Sapa

Changes to OK (30) marketing division

MARCIA KLEIN and KELVIN BROWN

THE OK Bazaars has announced major changes to its marketing division as part of the group's restructuring after the appointment of MD Mervyn Serebro.

OK marketing director Arthur Solomon said yesterday advertising director Bob van Coller, who had been with the OK for 32 years, had retired.

Former Grey Advertising vice-chairman Denise Stamm, previously in charge of the Grey division handling OK's account, had been appointed director of advertising, promotions and public relations. Stamm, also appointed a director on the OK operational board, would report to Solomon.

In November 1991 the OK said it would move its advertising account inhouse from Grey Advertising. The OK was Grey's largest client. Stamm left Grey in January last year. BDAY 16/2/93

Solomon said yesterday the OK would maintain its inhouse operation for its R60m to R70m advertising account. Where necessary, it would employ the services of outside companies.

The OK was re-examining its marketing strategy and researching its target markets, merchandise, advertising and mission statement. "What was clear, is that the OK needed a new image," he said.

Other changes included a reorganisation of its four major merchandise divisions. Adri Pieters had been recruited from Pep to look after the clothing and textile division and Alec Goodman had succeeded Solomon at the helm of the furniture and appliance division. Mervyn Kraitzick and Jack Coombes would remain the heads of the food and toiletries division and the housewares division, respectively.

● Media Spot: Page 20

Star 16/2/93

(30)

Saved by small business

Solutions to critical socio-economic problems look elusive as SA moves towards reform. The Small Business Development Corporation argues that the answers depend on moves to unleash the full potential of budding business entrepreneurs, reports MICHAEL CHESTER.

THE first priority of future government policies should be to unleash the full potential of entrepreneurs in the small and informal business sector to generate the faster economic tempo needed to tackle the country's unemployment crisis and a downward slide in living standards.

A more dynamic economic performance, rather than political rhetoric, holds the key to solutions to pressing socio-economic problems — from joblessness and housing shortages to: improved education and health services.

That is the main theme that comes across in a new publication entitled *Strategies for Economic Growth* compiled by Dr Ben Vosloo, managing director of the Small Business Development Corporation (SBDC), and released yesterday.

Copies of the document have been sent to leaders across the entire political and businesss spectrum to inspire a wider and more down-to-earth dialogue on economic planning.

"SA can blame its poor economic growth and chronic unemployment problem on its dismal failure to launch more entrepreneurs into the economic mainstream," writes Dr Vosloo.

A national strategy to stimulate and foster entrepreneurship had become imperative.

Among first objectives should be:

- The removal of all unnecessary legal and administrative contraints at national, regional and local levels of government.
- The introduction of new tax policies that encourage the launch of more small business ventures.
- The provision of community-based programmes to assist self-employment initiatives with loans, training schemes and guidance on starting and running a business enterprise.

The potential results had been shown in several overseas countries, especially in East Asia and around the Pacific Rim where economic miracles had held outsiders spellbound.

Worldwide, the impact on employment had been tremendous, from affluent western nations to weaklings that had astonished global rivals when they used small business to flex formidable economic muscles.

In the US, when the oil crisis triggered recession in the 1970s, small business enterprises had created no fewer than 20 million new jobs to counter the loss of between four and five million jobs in the large corporations.

In Japan, vigorous economic expansion owed its successes to the creation of as many as 6,5 million small businesses. Today, a phenomenal 99 percent of all private firms in the non-primary sectors were classified as small.

Turning back to South Africa, Dr Vosloo writes: "Business is often seen as evil in spirit and selfish in purpose, while the entrepreneur is regarded as a vicious exploiter of workers.

"In reality, entrepreneurs are heroes of economic life. They are the backbone of a country's economic development.

"The role of government, which can either hamper or encourage entrepreneurship, is increasingly regarded as crucial.

"International experience has now shown us that if the operating environment is hostile to private enterprise and relatively unconstrained competition, it makes little sense to mount costly promotion and assistance programmes."

SA also needed to put its educational priorities in order. Most school-leavers and other job-seekers could blame their unemployment plight on the mismatch between the output of the education system and skills required by the market place.

Not only should racial distortions and imbalances be eliminated but academic bias in the education system should be corrected, with resources redirected from academic to technical skills. School classrooms should also be used to encourage the development of latent entrepreneurial talents.

SA faced urgent and immense challenges in the upliftment of the population in spheres such as housing and health services.

A sound education system promoted economic growth that should bring other development goals within reach.

"Small business is now regarded as an essential part of a successful formula for achieving economic growth," Dr Vosloo adds. "In the high growth economies of the world, small businesses figure largely as the dominant force in job creation."

It is not only the voice of small business that is heard in the arguments. More clout to the theories is added by support from a foremost leader of the world of big business — Dr Anton Rupert, who created the huge Rembrandt tobacco and liquor empire and who has led the crusade to knock down apartheid barriers to black enterprise ever since the SBDC was founded in the early 1980s.

"Against poverty, crime, inflation and a burgeoning bureaucracy, one must emphasise the positive characteristics of a politically vibrant young population and the vast opportunities offered by an unsaturated urban market that is growing at an accelerated pace," he writes in a foreword.

"And on the broader canvas lies the rest of Africa, where unequalled trading opportunities are rapidly opening up to SA.

"If the natural entrepreneurial drive of ordinary people can be encouraged and channelled into constructive business enterprise, our economic future could be among the most exciting in the world.

"SA is undoubtedly at a critical juncture of its political, economic and social history. What is needed are comprehensive strategies to promote economic growth and employment creation to meet the rising political and economic expectations of all South Africans."

Dr Rupert goes on: "The irony of the present situation in South Africa is that the protagonists of socialist intervention will hold that central planning is necessary to achieve a better deal for the masses which the 'capitalist' market-economy has allegedly failed to produce.

"This is due to the fallacy in the minds of people in the large Third World component of our society that the ideology of apartheid can be equated with the economic system of 'capitalism'. Hence our battle is to convince people of the advantages of individual freedom and enterprise as opposed to the dangers of socialist interventionism and centralist planning.

"The simple truth is that while political freedom can be given on a platter, economic independence and well-being have to be earned through productivity. This is the lesson Africa is now learning the hard way." □

way to introduce phones to as many per 1 000.

Consumer Council hits retailers' bread pricing

30

BDAY 17/2/93.

MARIANNE MERTEN

A CONSUMER Council survey of bread prices released in Pretoria this week has criticised pricing structures at cafés and chain stores, claiming that they sell bread at above the recommended price.

Said Consumer Council executive director Jan Cronje: "Most cafés clearly ignore the recommended maximum price of R1,75 for a standard 800g loaf of white bread and R1,50 for brown bread. They are still selling white bread for up to R1,96 and brown for up to R1,80.

"Chain stores were charging 11c more for white bread and 9c more for brown than three months ago when they undertook to keep prices as low as possible."

OK Bazaars did not undertake to hold prices at levels of three months ago, and put up its bread prices in line with Wheat Board increases.

"We sell white bread nationally at R1,65 and brown bread at R1,37," said OK Bazaars merchant director: food, Mervyn Kraitzick.

"As far as Pick 'n Pay is concerned, we have set a national policy. We are selling white bread at R1,62 and brown bread at R1,37," said Pick 'n Pay hypermarkets GM perishables Ian Eadie.

Checkers prices in southern Transvaal were R1,63 for white bread and R1,38 for brown bread. It was part of its commitment to consumers to keep prices low, a Shoprite-Checkers spokesman said.

"Chain stores are very fair; there is hardly any markup on the retail price. We are selling white bread below the recommended price at R1,65 and brown bread at R1,45," a spokesman for Blue Ribbon Auckland Park Bakeries said.

Catering, Restaurant and Tea Room Association executive director Frank Swarbreck said: "We have never agreed to the recommended price. We were sidelined at the crucial meeting in November."

The association, which represented café owners, favoured a free market and believed the return to retail price maintenance had resulted in everybody putting up their prices gradually, Swarbreck said.

The cafés were providing a convenience service which should be allowed to cost a little more, he said.

The Consumer Council supported free market principles, but was concerned about consumers' ability to react to unreasonable prices and/or quality, public relations manager Paul Roos said.

"We need discerning consumers. Our main task is consumer education. The emphasis is not on playing policeman."

Stores sell bread at high prices

Sowetan 17/2/93

■ **Consumers warned not to be misled:**

(30)

BREAD is being sold at "much more" than the recommended price, according to the Consumer Council.

Council executive director Jan Cronjé claimed in a statement yesterday that chain stores were charging 11c more for white and 9c more for brown bread than three months ago when they undertook to keep prices as low as possible.

"Most cafes clearly ignore the recommended maximum price of R1,75 for a standard 800g loaf of white and R1,50 for brown bread. They are still selling white bread for up to R1,96 and brown bread for up to R1,80," Cronjé said.

"Consumers are warned not to be misled. The price for all other kinds of bread are clearly visible except bread subject to the recommended maximum price." — *Sapa*.

Pick 'n Pay MD Herman steps down

MARCIA KLEIN

HUGH Herman, Pick 'n Pay MD for the past eight years and director for the past 17, said yesterday he would step down.

Herman, who would become a non-executive director and a consultant to the group, said he intended to pursue his own business interests and to spend more time with his family. BIDAY 17/2/93

When he joined Pick 'n Pay he told executive chairman Raymond Ackerman he would probably stay for 10 years. "I'm already 60% over my commitment."

Ackerman said yesterday a successor would be named towards the end of March. He would not say who was in line for succession, but market sources said that food director Sean Summers was "a strong contender".

They said marketing director Martin Rosen was also a candidate, and financial director Chris Hurst could not be ruled out. They did not exclude the possibility of joint MDs. Ackerman and Herman jointly managed the group in the early '80's. 30

The sources said Ackerman's son Gareth, who was being groomed for the position, was still too inexperienced. Rosen has been with the group for 22 years and Summers for 19, while the younger Ackerman had only nine years' service.

Ackerman said Herman had "no equal in the country in the areas of finance and store development". He had contributed to developing Pick 'n Pay into "the top brand and the most admired company" in SA.

McCarthy suffers from mass action, strikes

BDAY 17/2/93.

MARCIA KLEIN

(30)

McCARTHY Retail's earnings dropped 7% to 30,1c (32,3c) a share in the half year to end-December, the first reporting period since the group was formed through the merger of motor group McCarthy and retail group Prefcor.

CE Terry Rosenberg said results would have matched those of the previous year if not for mass action in August, which affected trading in the Beare, Clobea and Game chains, and the strike at Toyota earlier in the financial year.

The group declared an interim dividend of 8c (15c) a share.

Results have been published on a pro forma basis, assuming that the July 1992 merger between McCarthy and Prefcor Holdings had taken place in July 1991.

The group reported an 18% rise in turnover to R2,7bn from R2,3bn, and an 8% drop in operating income to R127,2m from R138,4m.

Income after tax was down by 4% to R49,2m (R50,9m).

McCarthy Motors, which contains all the businesses previously held by McCarthy Group, would have marginally improved its results but for the Toyota strike.

McCarthy Group which is now purely an investment holding company with an 87,8% holding in McCarthy Retail, reported earnings of 40,1c (43,2c) a share. It declared an interim dividend of 10,5c (7,5c) a share.

Lack of planning sinks small firms

ADRIAN HADLAND

PRETORIA — Many small businesses in SA were being hampered by a lack of management skills and by a failure to adopt a structured business plan, SBDC senior manager Pierre Mey said yesterday.

He said small businesses were often sceptical of using consultants to conduct performance analyses as entrepreneurs could not always see the "marriage of benefit and cost".

"We often see people who don't pay sufficient attention to performance analysis until it is too late," he said.

Durban Chamber of Commerce economics head Barry Poulsom said several of the larger accountancy firms and some development organisations offered specialist management consultancy services.

"The problem is that most people turn to their accountants when there is a liquidity strain or some other financial difficulty.

"But if the problem is in the marketing of a product or there is a bottleneck in the production process, the accountant will not always be in a position to identify it," he said.

Small business proprietors resisted the idea of using management consultants as these were often geared towards corporate clients, they were afraid of being ridiculed for their minor problems or they were concerned about the cost of consultations, Poulsom said.

A more user-friendly approach by consultants, including free introductory sessions for smaller businesses, would be helpful. (30)

The small businessman or trader did not have the expertise, desire, nor the time to delve into financial and analytical gymnastics to gain an understanding of his business and its profitability, said Provident Management Services executive Ivor Fisher.

The Durban-based company is one of several to offer business performance analyses directed specifically at small- to medium-sized businesses.

"The success of small business has been neglected for too long and it is vital for SA's economy that the growth of small business be stimulated. It is critical that businessmen have the requisite financial and entrepreneurial skills at hand to ensure successful trading with profitability," Fisher said.

Boycott ends

(30)

A CONSUMER boycott of white businesses in Heidelberg ended yesterday after three months.

ANC Heidelberg branch chairman Obed Nkosi said the breakthrough came after the organisation and the Heidelberg Chamber of Business agreed to several approaches to end the conflict between the various parties. These included formation of a committee to investigate alleged disputes involving workers at factory and shop-floor level.

Sowetan 17/2/93

Pick 'n Pay MD moves on

Star 17/2/93

(30)

CAPE TOWN — Retail giant Pick 'n Pay is to lose its managing director.

Hugh Herman, MD for eight years and a director for the past 17 years, will become a non-executive director and consultant to the company, chairman Raymond Ackerman said yesterday.

Ackerman paid tribute to Herman's contribution. He said that in the areas of finance and store development Herman had no equal in the country.

Herman, in his early fifties, said he intended pursuing his own business interests. — Sapa.

McCarthy still on target

Star 17/2/93 (30)

By Stephen Cranston

Earnings for motor and furniture retailer the McCarthy Group fell in the six months to December but they are described by management as highly commendable in a tough business climate.

The McCarthy Group merged with Prefcor Holdings on July 1 last year and the group provides pro forma figures for the six months to December 1991 assuming that the merger had taken place a year earlier.

Earnings per share of 40,1c compared with the proforma figure of 43,5c. The interim dividend increased from 7,5c to 10,5c.

McCarthy Retail, which is 87,8 percent owned by McCarthy Group and is its sole source of income, reported earnings of 30,1c compared with 32,3c. It has declared a dividend of 8c down from 15c in 1991.

Turnover increased by 18 percent to R2,69 billion but operating income fell by eight percent to R127 million and attributable earnings by seven percent to R46,6 million.

CE Terry Rosenberg says that the half-year earnings would have equalled last year were it not for the mass action stayaway in August — which affected trading in the Beares, Clobea and Game store chains — and the strike in Toyota, which is the group's major motor franchise.

Rosenberg says the group is basically on target and the merger has bedded down well. He says plans are in place to achieve some of the identified synergistic benefits. Savings are expected from a merger of the two computer systems, which cost the group R55 million a year in total.

Trading volumes in the Prefcor operations were encouraging in the crucial November and December trading months, but they were marginally behind budget for the six months.

Successful new Game stores were opened at Empangeni and Pietersburg and others are to follow in Nelspruit, at Cresta, Randburg and on the East Rand.

Herman resigns as Pick 'n Pay MD

(30) CT 17/2/93

PARTNERSHIP CONTINUES ... Hugh Herman (left), who has resigned as MD of Pick'n Pay, and chairman Raymond Ackerman.

By AUDREY D'ANGELO
Business Editor

HUGH HERMAN — who has resigned after eight years as MD of Pick'n Pay Stores and 17 years as an executive director — will help with plans to expand the group into Africa and possibly to revive its Australian venture, chairman Raymond Ackerman said yesterday.

Announcing Herman's resignation, Ackerman said he was expected to leave in May, but would remain a non-executive director and consultant.

Herman had made an important contribution to building up the company and had no equal in the areas of finance and store development.

"He was a very fine lawyer, with Hoffman and Galombik, when I persuaded him 17 years ago to change his career and join us. He told that he would not give all his working life to us, and has reminded me over the years that he would leave but would give us due warning.

"His decision to go now has put me into a tizz because the company was only half its present size when he was appointed MD, and we have not yet decided who his successor will be.

"We have been a good team. We are very different and we have complemented each other.

Expansion

"It has been a very good partnership, which will continue. We are not losing him altogether. We shall remain close and he will help with property and with one or two other things.

"We are thinking of expanding up into Africa. We already have a Namibian deal, we are negotiating one in Botswana and we are looking up into Africa.

"I am going to Australia next month to see if we can reactivate our venture there now that the political situation has changed."

In a statement Herman, who is in his early 50s, said he intended to pursue his own business interests and spend more time with his family.

"When I first accepted Raymond's offer to join Pick'n Pay I told him I would probably stay only 10 years and I am already 60% over my commitment. I have thoroughly enjoyed the experience of working with one of the best retailers in the world and helping to establish Pick'n Pay as one of the top companies of its kind.

"I look forward to continuing my association with Pick'n Pay, albeit in a reduced capacity as a non-executive director and consultant."

The MINISTER: I agree with the hon member for Arena Park. Let us take the particular case of the Maharaj brothers in Kranskop. Thirteen years ago land was bought for the purpose of establishing homes. To this day no homes have been built. Naturally that land should revert to its original owners, because it was not used for the purpose for which it was bought.

Mr S PACHAI: What did the local MP for that constituency do?

The MINISTER: The hon member for Natal Midlands has asked me a pertinent question. I like the way he smiles. [Interjections.] Between us he and I were able to save that land. The hon the Leader of the Official Opposition is also fully aware of this. Documentation for the building projects was ready just when the Group Areas Act was repealed. [Time expired.]

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Own Affairs:

Resettlement: application from certain family

*1. Mr A RAJBANSI asked the Minister of Local Government, Housing and Agriculture:

(1) Whether his Department received an application for resettlement from a certain family, whose name has been furnished to the Minister's Department for the purpose of his reply; if so, (a) when, (b) in respect of what property and (c) what is the name of this family;

(2) whether the application referred to above is connected with property acquired in terms of the Group Areas Act; if so, what are the relevant details? D6E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

(1) Yes.

(a) On 19 January 1989.

(b) For a service station site and business accommodation.

(c) The Feroz Rakim Family.

(2) Yes.

The properties are Sub 62 of D of L/R SB5 Cato Manor (cnr Booth Road and Dunbar Road) and Rem of 25 of MB4 of Cato Manor (343 Ridgeview Road) which were acquired by the former Community Development Board.

Mr A RAJBANSI: Arising out of the hon the Minister's reply, is he aware of the fact that applications were made by this family as early as 1962? Secondly, can the hon the Minister confirm that this family is one of the three families worst hit by the Group Areas Act in Durban? Thirdly, why is it that this family has not been assisted so far? Is there something wrong with their name?

The MINISTER: According to the information that I have before me, the departmental report revealed that the late Abdul Rakim Feroz owned a service station at the corner of Booth and Dunbar Roads in Cato Manor. The premises were burnt down during the riots in Cato Manor. It was only afterwards that the former Community Development Board acquired the property. At the time of requisition the property was a vacant residential site.

The estate of the late Abdul Rakim Feroz was sequestrated on 21 October 1960. The trustees of the estate offered the property in question for sale to the board for R7 808. The board responded by paying R8 182, more than the trustees wanted. In view of that the Department's committee of enquiry was satisfied that Mr Abdul Rakim Feroz could not be regarded as a legitimate displaced service station trader who was affected by the Group Areas Act.

Mr A RAJBANSI: Further arising from the hon the Minister's reply, is he personally satisfied that the answer that he has given is correct?

The MINISTER: This information is supplied by the Department from its total investigation record. However, if there is room for further investigation, I will look into the matter.

Trading sites: sale at 50% of value

*2. Mr A RAJBANSI asked the Minister of Local Government, Housing and Agriculture:

Whether he or the Ministers' Council in the House of Delegates has decided to sell trading sites at 50 per cent of their value; if so, (a) when and (b) why? D7E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

No.

(a) Falls Away.

(b) Falls Away.

Mr A RAJBANSI: Mr Chairman, arising out of the hon the Minister's reply, since he has stated that the answer is no, is he prepared to check the minutes of the meeting of the Housing Development Board to ascertain that the last director-general, who is now Chairman of the Ministers' Council, conveyed the resolution of the Ministers' Council to the board, and that it is minuted accordingly?

The MINISTER: Mr Chairman, I will cross-check those minutes.

Mr P NAIDOO: Mr Chairman, further arising out of the hon the Minister's reply, I would like to know whether it is the policy of the NP that all State assets should only be alienated by an interim government of national unity?

The MINISTER: Mr Chairman, I am now being asked to answer a question about national politics. In my own mind, no matter whom we belong to, we have been oppressed. There are issues in terms of all the discriminatory legislation which have to be addressed as far as the Indian community is concerned, and therefore, even if we have only one hour left, we should do our utmost to see to it that those issues are addressed.

Mr M RAJAB: Mr Chairman, if I heard the hon member correctly, he wanted to know from the hon the Minister what the attitude of the NP would be. The hon the Minister went ahead and replied. Arising out of that, I would like to ask the hon the Minister when he changed his allegiance?

The MINISTER: I am quite prepared to answer that if that hon member has any more information about allegiance. [Interjections.] I have not changed my allegiance. I am independent.

Phoenix: development of a hospital

*6. Mr A SINGH asked the Minister of Health Services and Welfare:

(1) Whether his Department is giving consideration to the development of a hospital in Phoenix; if not, why not, if so, what is being envisaged in this regard;

(2) whether he will make a statement on the matter? D17E

The MINISTER OF HEALTH SERVICES AND WELFARE:

(1) Yes. The planning of a 500 bed hospital is being proceeded with. Negotiations are at an advanced stage.

(2) No.

Mr A RAJBANSI: Mr Chairman, arising out of the hon the Deputy Minister's reply, is he aware that the first Minister's Council of this House obtained Cabinet approval in this regard? I also want to know why they have not pressurised the Treasury for funds over the years?

The DEPUTY MINISTER: Mr Chairman, the hon member for Arena Park is quite correct. Such approval was obtained by the previous Ministers' Council, but unfortunately I cannot vouch for the Ministers' Council of my previous party.

Richards Bay: single-sex village for contract workers

*3. Mr M RAJAB asked the Minister of Local Government, Housing and Agriculture:

Whether his Department has concluded an agreement with a certain company at Richards Bay, the name of which has been furnished to the Minister's Department for the purpose of his reply, concerning plans to build a single-sex village for approximately 4 000 contract workers at that town; if so, (a) when was the agreement finalised, (b) by

Hansard

HOUSE OF DELEGATES

QUESTIONS

†Indicates translated version

For written reply:

Own Affairs:

Cape Town area: sale of service station site/trading site

1. Mr A G MOHAMED asked the Minister of Housing and Agriculture:

(1) Whether any decision has been taken to sell a (a) service station site and (b) trading site in the Cape Town area to a certain person, whose name has been furnished to the Minister's Department for the purpose of his reply; if so, (i) in respect of each site, what was the (aa) market value, (bb) zoning and (cc) selling price and (ii) what is the name of the person in question;

(2) whether the person referred to above applied personally for resettlement in this regard; if so, when; if not, in what manner was the application lodged? D1E

30

The MINISTER OF HOUSING AND AGRICULTURE:

(1) This matter is presently being investigated by the Ombudsman which renders it *sub judice*.

(2) Falls Away.

Hansard

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Port Elizabeth harbour: tonnage of cargo

36. Mr E W TRENT asked the Minister for Public Enterprises:

(1) What was the total tonnage of cargo moved through the Port Elizabeth harbour during the latest specified calendar year or 12-month period for which figures are available;

(2) (a) what was the percentage use of container capacity in Port Elizabeth over this calendar year or 12-month period broken down into each month of that year or period and (b) how do these percentages compare with those in respect of Cape Town, Durban and Kaserne (Johannesburg)? B73E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited has furnished the following information in reply to the hon member's question:

(1) 4 164 294 ton (1 January 1992 to 31 December 1992).

(2)

	(a) Port Elizabeth	Cape Town	(b) Durban	Kaserne
1992	%	%	%	%
January	24	24	65	62
February	23	25	61	64
March	32	30	58	65
April	26	43	36	64
May	27	46	59	69
June	27	45	56	61
July	23	40	56	65
August	29	37	60	65
September	28	38	63	65
October	27	42	69	70
November	27	36	72	73
December	22	38	76	55

Portnet/Spoornet: revenue from cargo

37. Mr E W TRENT asked the Minister for Public Enterprises:

In respect of the latest specified financial year or 12-month period for which information is available, (a) what was the total revenue that accrued to Portnet and Spoornet from cargo moved through Cape Town, Durban and Port Elizabeth harbours and Kaserne, (b) in what categories was this revenue accrued and (c) what percentage of this revenue accrued directly to Port Elizabeth? B74E

The MINISTER FOR PUBLIC ENTERPRISES:

The Managing Director of Transnet Limited has furnished the following information in reply to the hon member's question:

cont →

NORTHGATE PHASE 2

Only the best will do

STAR 18/2/93.

(30)

RETAILERS considering a move into Northgate will have to make their move soon as most of the additional line shopping is taken and the developers are going to be very selective in terms of what kind of store they will consider for the centre.

Says Pat Flanagan, managing director of RMS Syfrets:

"We are looking for specific traders. The mix for the second phase is clearly centred around goods for the home — Dions, Boardmans, home decor stores and household linens.

"Despite the fact we do not have major fashion traders at this stage, there is a much stronger fashion component of quality, good value, fashion merchandise.

"There is Ackermans as well as a number of boutiques and fashion accessory stores.

"We are looking for more fashion stores, particularly stores selling shoes.

"The shoe industry has undergone enormous changes and it is very difficult to find shoe retailers today.

"We are also looking for more boutiques, but of a specific type.

"A store stocking designer jeans and other fashion wear appealing to the young woman would do well at Northgate.

"They should be people who are in the casual fashion business, jeans, T-shirts, casual sportswear and patio wear.

"It should be quality, affordable product. That is what the whole country is about today.

"There is no conflict between quality and value.

"With the same approach in mind, we are looking for a supplement in the menswear side with more orientation towards casual wear.

"Children's wear is another important area. We want someone catering for the 3-13 age group and also the 12-18 category.

"A store catering for babies, stocking everything from clothing to cots, is another important opportunity."

To complement its existing stores catering to the housewares sector, Northgate is looking for specialists in areas such as bathrooms, kitchens and stores selling gifts for the home.

There is also some opportunities left for people in the service sector such as travel agents, a specialist stationery/bookstore, a party shop, a specialist hobby store as well as hairdressers and beauticians.

And, says Flanagan: "If anyone has a really unique restaurant concept we would be interested.

"We want to create unusual elements, if we can find them — it is a bit like searching for a needle in a haystack.

"We have the bulk of the centre let and we can afford to be choosy.

"We are not going take just anyone".

Anchors vital to success

(30) STAR 18/2/93

INVESTORS and developers have spent millions of rand proving that a shopping centre without major anchor tenants is a recipe for disaster.

Anchor tenants such as the major supermarket and department store chains take large blocks of space in a shopping centre at considerably lower rentals than the smaller line shops.

Not surprisingly, the developers have tried time and again to produce successful shopping centres without the large and less profitable tenants. However, the public has proved consistent in its demand for the convenience, choice and lower prices offered by the major stores, and such experiments have failed.

Today, one of the first questions a wise potential small business tenant asks is what anchors a centre will have.

Further evidence of the success of the anchor tenant formula is provided by the presence of the Pick'n Pay Hypermarket at Northgate. It has proved its ability as a drawcard in that the centre, after less than two years of operations, has nearly 500 000 visits a month.

Variety

With its expansion programme, Northgate is substantially increasing the number and variety of its anchors.

RMS Syfrets managing director Patrick Flanagan says the anchor tenants coming into the centre follow Northgate's theme of value and quality.

Says Flanagan: "The first phase started off with a 22 000 m2 Pick 'n Pay Hypermarket. It advertises as Pick 'n Pay Discount Hypermarkets. Discount means getting something at a better price. And the company's record speaks for itself.

"Dions markets itself on the basis that it will match any price and there is no question of the quality it offers, it is all branded merchandise. We believe Dions will attract a lot of people to the centre.

"There are also a number of semi-majors coming to the centre. Clicks will be opening a 1 000 m2 store and with changes taking place in the regulations governing chemists, it will almost certainly be dispensing medicines. Clicks has enormous appeal because of the toiletries and gifts which it offers at very competitive prices. It is a far bigger drawcard than the size of its store would suggest.

"Ackermans is another major draw card. The company's move upmarket has enhanced its value still further and everyone knows its price competitiveness.

"Supporting the Dions houseware range is Boardmans. It is very interesting from a tenant mix point of view as it sells largely imported merchandise. The goods are smaller ticket items, and people know they are buying quality imported goods."

'Everyone knows where we are'

STAR 18/2/93 (20)

THE Northgate Pick'n Pay Hypermarket is one of the most successful in South Africa.

Pick 'n Pay director Jannie Botha says the store carries out an average of 10 000 transactions a day in the middle of the month and 15 000 transactions a day at month-end.

Says Botha: "Randburg and the surrounding areas are constantly growing and there was a shortage of good retail in the area. Though we have supermarkets in the area, there was a need for a one-stop-shop such as the Hypermarket. This has been proved by the success we have enjoyed since the day we opened. The Hypermarket has established itself so well that everyone knows where we are. The centre itself is lovely, modern place to shop and our Hypermarket is the most modern in South Africa."

When the company decided to place one of its Hypermarkets into Northgate, part of the reason for the positive decision was the developers' plans to extend the centre.

Botha says Pick'n Pay actually asked the landlords to bring forward the second phase and the store's incredible success helped considerably to motivate the additional retail area as all the retailers benefit from the drawing power of a successful anchor tenant.

Botha says the additional traders which will come into Northgate following completion of the second phase will benefit everyone in the centre.

He says the catchment area for the centre includes around 100 000 households in a 15-km radius. However, the store is looking further afield to reach an additional 50 000 households.

Says Botha: "Competition in the area is increasing and we want this centre to be the discount regional centre.

"While the Hypermarket will not be increasing its size during Northgate's second phase, the additional shopping will mean more choice for our customers and that will bring more feet into the centre which will benefit everyone."

Jannie Botha . . . Pick 'n Pay director.

Botha says the vast amount of over-trading retail floor space in South Africa has substantial benefits for consumers. The high level of competition has led to a constant flow of special offers and huge savings as traders try to lure consumers into their stores.

Says Botha: "At our Northgate store we have at least two major promotions each month, compared to one promotion a month in the past. In addition, there has been a substantial increase in the number of shorter promotions which we run in the course of each month. People are price-conscious and respond well to the savings we offer.

"Our Northgate store and its merchandise is specially tailored to meet the needs of our customers. The store offers a super clean environment with high levels of service and quality. While price is important, it is not as significant as being able to offer a pleasant shopping environment."

The Northgate Hypermarket breaks with traditional merchandising philosophy which used to spot product types in such a way as to ensure consumers would have to walk through the entire store in order to complete their shopping. Today, the emphasis is on customer convenience and products are grouped for easy access.

What second phase is all about

STAR 18/2/93. (30)

NORTHGATE, one of South Africa's most successful shopping centres is currently undergoing a major expansion, with completion of its second phase due in April.

The original land assembly for Northgate consisted of 30 ha and encompasses rights to construct around 100 000 m2, including retail, service stations, a do-it-your-self motor centre and offices.

The site allows the developers to construct everything which would be required for a commercial node.

Says RMS Syfrets managing director Patrick Flanagan: "It is important to realise that Northgate is a node, not just a shopping centre."

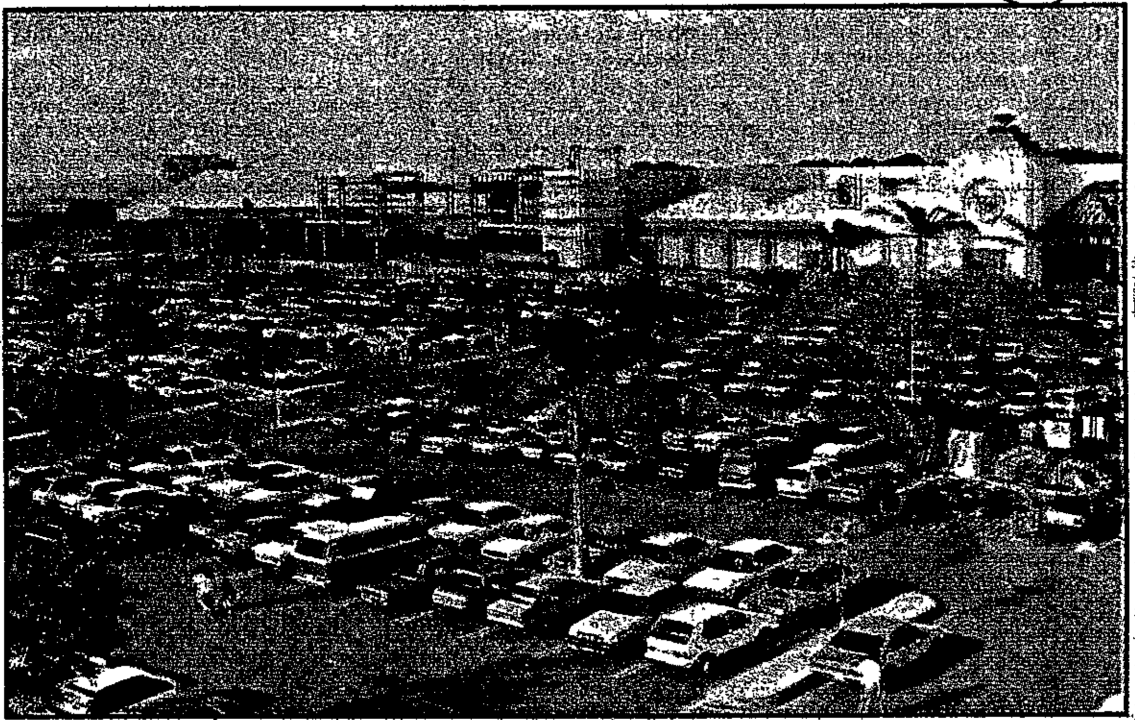
Northgate's first phase opened its doors to the public in July 1991, and consists of 35 000 m2 of gross leasable area.

Crucial to the success of a shopping centre is the size and prominence of its anchor tenants which act as draw cards, pulling in customers for the centre as a whole and benefiting less high profile stores.

Northgate owes a considerable portion of its success to the fact Pick'n Pay Hypermarkets took 22 000 m2 in the first phase.

There are also two Trek service stations, one fronting on to Honeydew Road and the other on to Northumberland Avenue.

Having developed only a about a third of the potential of the site, Northgate is addressing a portion of its bulk allowance in the second development phase which will add another 22 000 m2.



Northgate . . . the major expansion taking place at the giant centre will provide a second "opening", an important marketing opportunity.

The main mall is being extended in a northerly direction, exactly as the developers had conceived in their original site development plan.

The additional space will take the centre ~~up to just under~~ 60 000 m2, making it one of the largest in the country.

Northgate will have a new Dions store of around 5 000 m2, a major cinema complex with six Ster-Kinekor screens linked to an entertainment complex and fast food outlets occupying 2 500 m2, Ackermans have taken 800 m2, Boardmans 1 000 m2, Clicks 1 000 m2 and there will be an additional 79 line shops. This will bring the total line shopping, excluding the anchor tenants, to 150 stores in the centre.

Another key component of the enlarged Northgate is the addition of a 3 000 m2 Gamesman Health Club a division of the Health and Racquet Club. It is being constructed adjacent to and linking on to the west side of the centre.

Says Flanagan: "This will see a significant change to the Honeydew Road traffic entrance. We are relocating the existing West entrance on Honeydew Road about 400 metres further West."

Parking on the west side of the centre was weaker than the developers wanted and, as a part of the health club's construction, 400 bays will be added on the West and the linkage into the centre itself will provide Pick'n Pay customers with nearby parking and easy access.

The importance of parking cannot be overstated. People who visit a centre during peak times and are unable to find parking will go to shop elsewhere. With this in mind, Northgate has worked on the formula of roughly six bays per 100 m2 of gross leasable area. The first phase had parking for around 1 800 cars and the second phase will add another 1 700 parking spaces — giving the centre parking for a total of 3 500 cars.

Another major change is the relocation of the ring road into its final position.

Says Flanagan: "This means people can now move around the entire site and choose where they wish to park."

The five entrances to the centre which served phase one will remain open and two additional entrances are being constructed, one on to the west side of the new mall and another on the east side.

Says Flanagan: "As a result the pedestrian flows will be optimised."

The owners, Sasol and Denel pension funds, have recently bought another 8 ha immediately to the west of the existing site, bringing the total to around 38 ha. Re-zoning applications have been lodged with the council and this will give them a lot more.

Giant continues to grow

(30) STAR 18/2/93.

WITH THE pundits warning of over-trading in the retail sector, now is perhaps not the best time to engage in expansion of a shopping centre.

But Northgate, one of South Africa's most successful retail developments since it opened in July 1991, is undergoing a major expansion, with completion of its second phase due in April.

RMS Syfrets managing director Patrick Flanagan says there are two major factors driving the expansion of Northgate: critical mass and a need for certain types of store.

Says Flanagan: "The first phase had a total of 35 000m2, but only around 13 000m2 of line shopping. Greater critical mass is needed to provide comparative shopping and attract more shoppers to the centre.

"Phase one has done a job of really providing outstanding food shopping opportunities.

"The centre had in excess of 300 000 visits a month in its first year. This has since increased to nearly 500 000 visits. That is very significant in terms of the sheer numbers of people going through the centre. Those people are all demanding more choice and a greater range of merchandise.

"As a result we are increasing the critical mass of shopping, numbers of stores and the selection of different types of merchandise," says Flanagan.

The other factor fueling expansion is the results of Northgate's post-opening research, which showed there was strong demand for a Dions-type discount store.

Flanagan points out that this links back to the fact that the North-west is one area in which housing growth can continue. It is one of the few areas with land available for such growth.

Randburg expanded its boundaries last year and negotiations are taking place regarding the possible extension of Sandton. This means more serviced sites will become available.

Business as usual . . . the Northgate complex now has more than 500 000 visits a month

Says Flanagan: "The addition of Dions and Boardmans as well as the supplementary stores will be catering for this market. This pattern of demand should continue for some time to come.

"The research also showed the need for entertainment, which led the inclusion of the Ster-Kinekor complex with its exciting entertainment element.

"Furthermore, there was a need for more clothing stores. This has led to the addition of more fashion boutiques. Although we don't have the big clothing department stores, we expect them to come in the future."

An additional factor which has led to Northgate's expansion plans being carried out earlier than originally planned has been the construction of another shopping centre at Fourways.

Flanagan believes there is room for both developments. He insists the two centres are drawing from different catchment areas and are not going to be competing head-on. At the same time it is likely that one centre will prove to be the dominant force in the north and Northgate intends to build on its already successful record as a consumer drawcard.

Says Flanagan: "Both centres have their strengths and weaknesses. Northgate has a tremendous strength because of Pick'n Pay which has gathered a huge amount of support from local consumers. However, Northgate would be stronger if it had major fashion-based department stores.

"As the economy improves I expect the major clothing stores will want to come into Northgate and the site can cope with extensive expansion."

Looking at Northgate's consumer catchment area, he does not see any competition with Sandton and the effect on Randburg's CBD is regarded as minimal.

Cresta is seen as having the greatest overlap with Northgate.

Flanagan says: "Cresta is very powerful. However, it has become a congested trading area and Cresta could be close to reaching saturation point. So the construction of Northgate has served to take off some of the pressure."

Northgate is fully prepared to build additional space if there is tenant demand. This does not mean the centre is going to be running after particular tenants with overly generous rental deals — it wants further expansion but rentals would have to be market-related.

Says Flanagan: "Additional anchor tenants must feel comfortable about opening in the centre.

"The landlords, assuming the numbers were right, would be prepared to make further investments and additional space could be ready for occupation within nine months."

Incomes

He believes that while the retail market as a whole may be over-traded there are development opportunities in selected areas, for the right development.

Says Flanagan: "An examination of South Africa's trading facilities in relation to the disposable incomes would probably show an over-supply.

"However, there are factors which show there are still opportunities in many areas. Urbanisation is taking place rapidly and the market size is constantly increasing in some areas.

"Another important element is the changing political and social situation. Black consumers are recognising they can shop anywhere. Their confidence is increasing and they aspire to the pleasant shopping experience, value and quality which is now available."

NORTHGATE PHASE 2

Design emphasises service ideal

STAR 18/2/93 (30)

SOUTH Africa has one of the worst service records in the world and, in general, little is happening which is likely to change the situation.

Companies which are aware of the need to provide a quality service and which have the ability to deliver have a substantial competitive edge.

Northgate realises that building a reputation of being a shopping centre which provides service, as well as quality and value, in an environment of numerous individual traders is no easy task.

However, this has not stopped Northgate's management.

RMS Syfrets property manager Johan van der Walt says: "We are working on our retailers to make them aware that they must provide service. They are in a service industry and if they provide the service, they end up selling the goods.

"Our emphasis on quality and service has been carried through into the design of the centre. We are very proud of the quality of the finishes in the malls and the second phase will continue the standards which we set with the first.

"Everyone likes to shop where is it is a comfortable and pleasurable experience. The quality and care which has gone into the malls will continue into the entertainment and restaurant area.

"There is plenty of quality parking and the layout is such that there is no pushing trolleys up steep inclines. We are also putting additional effort into the landscaping to provide a softening effect.

"The feeling of the centre as a whole is classical. The exterior may be regarded as more modern in its approach, but the interiors are much more classical with extensive use of natural lighting and the classic finishes do not date as much as gimmicky touches.

"As a result we believe the centre will have a longer life span without refurbishing. The illuminated signage adds sparkle to the whole interior and we are focusing on more promotion areas in the second phase. This will increase the activity level in the centre as a whole."

November retail sales had little of Christmas spirit

30

B/DAY 19/2/93

MARCIA KLEIN

NOVEMBER's retail trade sales, released yesterday, showed no sign of early enthusiasm to fill Christmas stockings.

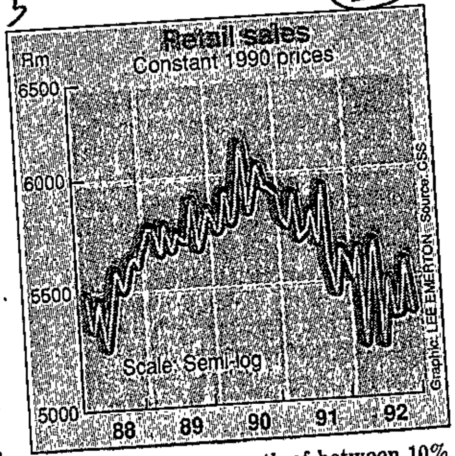
Central Statistical Service figures showed that at constant 1990 prices, November retail sales declined by 4,9% in real terms compared with the previous year and by 4% in real terms compared with the previous month.

Total sales of R7,6bn were 3,1% below what major retailers had forecast in the second week of the month. Most businesses reported a drop in real terms, except for jewellers and retailers in miscellaneous goods, who showed marginal increases.

Analysts said yesterday sales over the past few months must have caused headaches for retailers who were trying to make realistic budgets.

In August sales plunged by 10,2% in real terms following mass action earlier in the month. Sales picked up in September and dropped again in October, and November's sales were lower than forecasts.

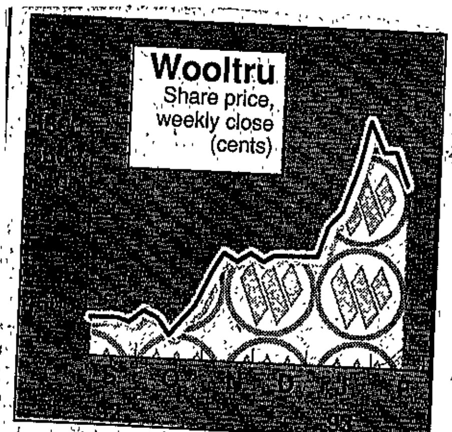
Most retailers said sales over the critical December period had been better than expected. Econometrix economist Tony Twine said poor November sales might have led traders to lower their expectations for December, so these sales appeared better than expected.



Expected sales growth of between 10% and 12% over December would prove to be a short-lived respite, analysts said. The CSS said January's sales would be down by 7,2% compared with January 1992.

January's expected sales of R6,6bn would compare with an expected R11,3bn in December. While this reflected a poor start, analysts said January was a sluggish month.

Recent interest rate cuts and lower inflation indicated that 1993 would be a more promising year for retailers, who had experienced some of the worst trading conditions over 1992.



Graphic: LEE EMERTON Source: I-NET

Wooltru swings back into profit

LINDA ENSOR

39

CAPE TOWN — Wooltru has swung around sharply from its previous profit decline with a 17% increase in earnings a share in the six months to end-December, reaping the benefits of its acquisitions and of the improved profitability in its Woolworths chain.

BDAY 19/2/93

This follows the 38% drop in earnings in the 1992 financial year. Earnings rose to 192c (164,5c) a share and the interim dividend was maintained at 77c. This barely restored dividend cover to the traditional level of 2,5 times after it slipped to 1,5 times last year.

Turnover rose 52% to R3bn (R1,98bn), reflecting the acquisition of Drop-Inn in the past financial year and Shield during the interim period. Excluding the acquisitions sales grew 13%.

CE Colin Hall said operating margins in all chains strengthened, though the overall margin of 4,2% (5,4%) was distorted by the low margin in the Shield operation. Pre-tax profits rose 19%.

Lower borrowings — long-term debt was down to R167,2m (R251,7m) and short-term debt to R38,3m (R40,1m) — meant the net interest bill was almost halved to R10,8m (R20,4m). At end-December gearing was at a low 25% and bank balances and cash reserves strengthened to R46,6m (R34,4m). Hall said borrowings had been cut by selling properties and controlling working capital, mainly by reducing stock.

The Speciality Retail Group strengthened its performance, notching a turnover growth of 19% with the Truworths chain's

☐ To Page 2

Wooltru

BDAY 19/2/93.

30

☐ From Page 1

sales rising 20% and Topics by 18%. Hall said the group's strategy of controlling operating expenses and markdowns, reducing interest payments and planning stock inputs, had paid off handsomely.

Woolworths' sales increased 8% and its earnings improved in the second quarter after an 18-month decline. However, with sales increasing by only 6%, its market share of clothing, footwear and textiles declined. The food division, with a 12% sales growth, maintained its market share.

Hall pointed out that while clothing merchandising in Woolworths improved with each season, it would take time to correct the image of the group in the marketplace.

"Although costs, capital expenditure and merchandise are now more tightly managed, the refocusing of merchandise ranges and the offering of better value to customers remain a priority," Hall said.

Massmart's aggressive investment strategy began to take effect and it showed strong earnings growth. Sales, excluding Shield and Drop-Inn, increased 12%.

Hall said while Shield's contribution to profits would not be significant this financial year, it would play a greater role within Massmart in future. Although 10 months of Shield's results were included from its March 1 1992 acquisition date, the contribution for the extra four months did not materially affect earnings.

On prospects, Hall believed earnings growth would at least match that of the first half of the year, provided a VAT increase did not have a negative effect on consumer spending, which was expected to remain weak for the current six months.

Retail sales disappoint

30

JOHANNESBURG. — Real retail trade sales in November last year fell by almost 5% on an annualised basis and were below the major retailers' expectations, figures released by the Central Statistical Services yesterday show.

CT 19/2/93

After seasonal adjustment, real retail sales at constant 1990 prices in November 1992 declined by 4% from October.

Total retail trade sales in November were R7,6bn compared to the major retailers' expectations of R7,9bn in sales.

FOSCHINI/STERNS FM 19/2/93

Limited addition

(30)

Foschini MD Clive Hirschsohn declines to reveal the price being paid for Sterns but says it was based on the value of assets, including trademarks and goodwill. He adds the price could not have been determined on a p:e ratio because Sterns's operating profit was "just about breaking even."

The Cape-based retailer agreed last week to take over the 78-outlet Sterns retail jewellery chain. The purchase, effective from April 1, complements the jewellery retailing activities of Foschini's wholly-owned American Swiss.

Hirschsohn emphasises the acquisition is small compared with Foschini and even compared with American Swiss. Sterns is not

FM 19/2/93

(30)

expected to add much to group earnings this year. The contribution will be small when its profitability is at the level it could reach when American Swiss retailing expertise and technology have been imposed and synergies are realised.

It is intended that Sterns will remain an independent chain and will be expanded to trade in a slightly lower income market than American Swiss.

The seller is the Gutkin family, whose members are prominent Johannesburg diamond cutters and wholesalers. Early last year, they employed Ivan Hayden as MD. He was previously marketing director of American Swiss. *Gerald Hirshon*

W&A/PEP FM 19/2/93 (30)

Broken engagement

Nothing is ever quite what it seems. Faced with fairly relentless questioning by the *FM* to disclose why it proved necessary for bluechip Trencor to rush to the rescue of W&A, his principal operating company, Jeff Liebesman protested that he had many options and denies there was any rescue. "I really wasn't pushed into this deal," he says.

Since then, I have established that Liebesman did, indeed, have options. In particular, Pep chairman Christo Wiese entered into heads of agreement with Liebesman and the agreement was signed by both parties. Implementation of the terms of the signed document was subject to certain conditions precedent; these were never met.

What is clear, however, is that somehow Liebesman and Wiese reached a subsequent agreement which permitted Liebesman to seal his later deal with Trencor's Neil Jowell. Asked for comment, Jowell will say only that he was aware of the arrangement between Liebesman and Wiese but that he received confirmation from his legal advisers there were no impediments to the Trencor/W&A deal.

Liebesman says the arrangement between himself and Wiese "never culminated in an unconditional complete agreement." However, he confirms that Wiese's subsequent disappearance wasn't achieved simply on the basis of a cordial farewell: "There were some commercial arrangements," says Liebesman, "but these were entirely on the basis of a person-to-person deal." Liebesman adds: "As such they have nothing to do with you."

Wiese says he prefers not to comment. "It was a good deal all round," is all he will say. "This was an arrangement between two individuals in their private capacities."

Sanctity of privacy is a concept strongly supported by the *FM*. Nevertheless, the agreement between Liebesman and Wiese begs the question of what arrangements would have been put in place between W&A and Wiese had the deal been consummated.

Given the respective businesses of Trencor and W&A, the deal between Liebesman and Jowell will probably prove, in retrospect, to have been the more logical of the options available.

David Gleason

No finality on Garlicks jobs

30 Staff Reporter

NEGOTIATIONS are continuing between Garlicks management and the SA Commercial, Catering and Allied Workers' Union on retrenchment packages for about 100 staff of the Adderley Street branch.

The branch closes at the end of this month.

● Hundreds of bargain hunters descended on the Adderley Street branch yesterday on the first day of its closing down sale. CT 19/2/93

Staff Rep

BERTIE REED's Island, returning fr eiro, is on standby Frenchmen on boa limping towards Ca a torn starboard seas.

Last night rescue a trying to contact the tr one of three yachts tal R3 million Trophee Ju lenge to sail around t days.

The hull of the yac outrigger was damagec for Cape Horn. The c lieved to have been ca merged mini-iceberg.

No finality on Garlicks jobs

30 Staff Reporter

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The branch closes at the end of this month.

- Hundreds of bargain hunters descended on the Adderley Street branch yesterday on the first day of its closing down sale. CT 10/2/93

THE JOHANNESBURG CBD

A safer city is their target

(30)

S/Times Buss 7 21/2/93.

THE crime rate in Johannesburg's CBD is a major contributor to the inner city's loss of business tenants, but there are signs of improvement.

Central Johannesburg Partnership (CJP) executive director Neil Fraser says public safety must take priority.

He says: "We can get everything else right, but still have a disaster on our hands if the city is not safe."

The CJP started working on the problem in early 1992 from the perspective that the police could not cope and began looking at ways for business to fund a private security force, which would co-ordinate its work with existing private security firms.

Economic realities have pushed this idea on to the back burner while other options are explored.

Mr Fraser says: "We decided to see if the police could be assisted to make their job easier."

The CJP has offered to locate and equip satellite police stations and some of them have been put into operation.

The group now holds monthly meetings with the police.

Mr Fraser says the lines of communication have improved.

He is also impressed with the commitment shown by senior police officers to improving security in the city.

Not unnaturally the issue of public safety is regarded as a priority by the Johannesburg City Council.

Johannesburg Management Committee chairman Ian Davidson says that in meetings with the Government, the council has pointed out that safety in Johannesburg is a national issue.

Mr Davidson says: "When potential investors visit South Africa, their first port of call is Johannesburg. If they are mugged during their stay here, we are unlikely to see that much-needed capital flowing into the country."

He says there are signs of improvement. From January 1 to August 31 last year there was an increase in the serious crime rate of 4,16%. But this was below the national average.

In addition, petty crime, such as mugging, showed a slight decrease.

Mr Davidson says a more optimistic view can be taken when it is considered that most of the police measures to improve public safety came into effect only in September 1992.

Mr Davidson: "We must correct people's perceptions. To do this we must show that not only has the situation been contained, but that there is a real improvement."

IAN DAVIDSON: Potential investors make their first calls in Johannesburg and a mugging might put them off the whole country

A Business Times SURVEY

CBD statistics

S Times (BUSS) 21/2/93.

THE GDP generated in the inner city is R13,2-billion a year. This amount accounts for 37% of the Central Witwatersrand Regional Services Council (CWRSC) area, 14% of the PWV and 6% of national GDP. The rateable property value is R10,1-billion. The rates collected in the Johannesburg inner city are R180-million a year (42% of total rates income).

Formal sector employment opportunities number 280 000, which represents 34% of the CWRSC area and 6% of the national total. This is higher than the combined opportunities offered by the Pretoria, Cape Town and Durban CBDs.

Southern Africa's only stock exchange and the headquarters of all major SA banks, many of which have interests in neighbouring states, are in the CBD. Of the 771 shares listed on the JSE, 205 had head offices in the CBD. Their combined market capitalisation is about R244-billion, 44% of total market capitalisation.

Last year, 108 plans for CBD buildings were submitted and 95 approved with a value of R269,3-million. The major projects are: Southern Life revamp, R35-milllion; BankCity, R105,5-million; Ryclok Investments parking garage; Sanlam Centre, R15-million; Liberty Life revamp, R50-million; bridge over railway between King George and Wanderers Streets, R36-million; Braampark (new offices), R12,4-million; new Standard Bank, Selby, R30,1-million; United Towers revamp, R19-million; SA Reserve Bank, Newtown, R75-million.

☐ *Source: Johannesburg City Planning Department*

Office rent bargains

S/Times (Buss) 21/2/93

30

THE CBD offers considerable rent advantages over the decentralised office and retail nodes, but tenants are discouraged by crime, lack of parking and the poor environment.

The Commercial and Industrial Brokers Association is a division of the Institute of Estate Agents of South Africa and chairman Munro Donen says vacant office space in the CBD totals about 500 000m².

Office space in Rosebank is fetching R29/m² to R34/m² gross. This compares with A-grade CBD space at between R26/m² and R29/m², C- and D-grade space going for R10/m² to R14/m² gross.

Tenants should not ignore the B-grade space on offer.

Mr Donen says: "Older revamped B-grade buildings offer good-quality accommodation.

"However, the parking ratio, at one to five a 100m², is considerably lower than areas such as Sandton which offer three to four a 100m²."

The retail segment of the market also offers bargains.

A-grade retail space in the CBD is going for up to R45/m², though a new development is trying for R85/m². This compares with Rosebank retail rentals of R45/m² to R100/m².

Mr Donen says: "Although the CBD offers attractive rentals, tenants are not being lured back. There is still a net outflow.

"Lettings in the CBD consists of tenants shuffling around from one building to another."

The bargains to be had include rent-free periods, moving cost and inflation allowances and cash incentives.

"The incentives can reduce the effective rentals on a five-year lease by R3-R4/m².

"However, institutional landlords can afford to hold on to unlet space. They are not keen to reduce rents. Until recently offers were open to everyone, now the institutions will only go all out if they want a particular tenant."

Tougher

Another factor of which tenants need to be aware is the change in escalations. These used to be 10%-12% across the board. However, about 18 months ago a strong break in the pattern developed with escalations for net rental and operating costs being separated.

Mr Donen says: "Landlords are looking for escalations of 12%-13% on net rentals. Operating cost escalations did shoot up to 15%-18%, but now tenants are tougher and 13%-15% is more usual."

Industrial rentals are roughly the same in the CBD as in other areas.

CBD A-grade industrial in the 250m² range is going for R12-R13/m² and space in the 1 000m² range is letting for R10-R12/m². This compares with R12-R14/m² and R8-R12/m² respectively for similar space in the Wynberg-Sandton area.

JOB MARKET

Industrial councils not throttling small man

S Times (Buss) 21/2/93.

By CIARAN RYAN

INDUSTRIAL councils have hit back at criticism in Business Times that they are strangling small business.

"We are not attempting to harm small business in any way," says David Levy, general secretary of the largest industrial council, the National Industrial Council for the Iron, Steel, Engineering and Metallurgical Industries (Nicisemi).

The industrial councils are essential if we are to have civilised working conditions and a decent standard of living for employees, whether they come from big or small businesses."

Industrial councils are private bodies empowered by the Labour Relations Act of 1956 to determine minimum working conditions in an industry or region, settle industrial disputes and to carry out collective bargaining.

The councils, of which there are 90 in SA representing 800 000 workers, are made up of employers associations and trade unions.

Dozens of employers replied to a February 7 report in Business Times highlighting the damage allegedly caused by some industrial councils to small businesses.

The industrial council system has been criticised because agreements between employers and trade unions covering minimum wages, pension fund payments and working conditions are made binding on all businesses in an industry, whether or not they are members of the industrial council.

Mr Levy replies that opponents of the system are often businesses with a record of labour exploitation. Industrial councils say companies should not compete with each other at the expense of labour, a view which seeks to remove labour from free market forces.

"One of the main advantages of the industrial council system is that improved working conditions affecting over 300 000 workers in 10 000 companies in the iron and steel industry are negotiated in relatively few meetings," says Mr Levy.

"This saves companies an enormous amount of time, effort, expertise and conflict at plant level.

Endorsed

"The industrial councils are founded on democratic principles, where the will of the majority also apply to the minority. This principle is endorsed by the International Labour Organisation and is the basis of any democracy in the world."

Advocates of the industrial council system say it allows a measure of self-government to industries and is a quick and effective way of dealing with labour disputes.

Nicisemi settled 843 labour disputes last year and issued 930 exemptions from industrial council agreements, mainly to small businesses.

The industrial councils are funded by levies paid by employers and employees.

Iron and steel workers, depending on their level of skill, pay between 15c and 28c a week to Nicisemi, with a similar contribution from the employer.

The council operates two pension funds with a total value of about R6-billion, a provident fund and medical aid schemes.

Charges

"There is no doubt that some industrial councils have over-stepped the mark in enforcing regulations, but that does not mean the whole system is wrong," says Mike McDonald, economist with the Steel Engineering Industries Federation (Seifsa).

"It is often said that SA is a Third World country and that these conditions are more appropriate to a First World economy. There is no way that the iron, steel and engineering industries in SA can be considered Third World."

In response to charges that small businesses are unfairly prejudiced by the high cost of complying with industrial council agreements, trade unions and employers represented at the National Manpower Commission have agreed in principle to allow businesses with less than five employees and sales below R250 000 to apply for exemption from these agreements.

"I am strongly in favour of deregulation," says Mr Levy. "The problem has been to convince trade unions that this is in the best interests of job-creation.

"Some unions oppose deregulation on ideological grounds and getting consensus on issues can be bureaucratic and time consuming. But we are moving in that direction."

This has led to charges that, by excluding small businesses, industrial councils will be more representative of the industry.

Several industrial councils have folded because they no longer represented a majority in the industry, or because of disagreements between unions and employers.

Industrial councils now represent a third less workers than they did in the 80s, reflecting in part the decline in employment over the last three years.

Problem

The Minister of Manpower has indicated that he may not make the Steel Engineering Industries Federation of SA's (Seifsa) agreement with the trade unions binding on non-members of Seifsa because it represents less than half the companies in the industry.

To overcome this problem, Seifsa has attempted to persuade trade unions, which oppose deregulation on ideological grounds, to exempt businesses employing fewer than 10 workers from the agreements. This, says Seifsa, will provide protection for all workers in the industry.

NESBURG CBD

A Business Times SURVEY

CBD statistics

(30)

S/Times (BUSS) 21/2/93

THE GDP generated in the inner city is R13,2-billion a year. This amount accounts for 37% of the Central Witwatersrand Regional Services Council (CWRSC) area, 14% of the PWV and 6% of national GDP. The rateable property value is R10,1-billion. The rates collected in the Johannesburg inner city are R180-million a year (42% of total rates income).

Formal sector employment opportunities number 280 000, which represents 34% of the CWRSC area and 6% of the national total. This is higher than the combined opportunities offered by the Pretoria, Cape Town and Durban CBDs.

Southern Africa's only stock exchange and the headquarters of all major SA banks, many of which have interests in neighbouring states, are in the CBD. Of the 771 shares listed on the JSE, 205 had head offices in the CBD. Their combined market capitalisation is about R244-billion, 44% of total market capitalisation.

Last year, 108 plans for CBD buildings were submitted and 95 approved with a value of R269,3-million. The major projects are: Southern Life revamp, R35-miilion; BankCity, R105,5-million; Ryclok Investments parking garage; Sanlam Centre, R15-million; Liberty Life revamp, R50-million; bridge over railway between King George and Wanderers Streets, R36-million; Braampark (new offices), R12,4-million; new Standard Bank, Selby, R30,1-million; United Towers revamp, R19-million; SA Reserve Bank, Newtown, R75-million.

☐ *Source: Johannesburg City Planning Department*

IAN DAVIDSON: Potential investors make their first calls in Johannesburg and a mugging might put them off the ...

Checkers now best value for money, survey finds

STAR 22/2/93.

By Zingisa Mkhuma
Consumer Reporter (30)

16 ITEMS	OK Eloff Street	PICK 'N PAY West Street	SPAR Newgate	CHECKERS Yeoville
Frozen Chicken 1 kg	9,09	11,63	9,72	9,00
Hake Fillets 800 g	11,79	10,89	11,59	12,59
Back Bacon 250 g	6,35	6,09	6,99	6,19
Tastic Rice 1 kg	4,50	3,95	3,95	3,95
Floro Margarine 500 g	4,89	4,49	4,45	4,69
Butter 500 g	5,75	6,19	6,29	5,99
Milk 1 litre	2,55	1,99	2,59	2,59
Cornflakes 500 g	6,99	6,99	6,99	6,49
Instant Coffee 250 g	4,85	4,79	5,49	4,99
Iwisa Mealie Meal 2,5 kg	4,05	4,29	4,25	4,49
Yoghurt 500 ml	3,35	3,05	3,35	2,89 SPECIAL
Omo 1 kg	7,69	6,99	6,99	7,19
Handy Andy 750 ml	3,69	3,69	3,69	3,69
Toilet Rolls 1 doz	11,59	10,59	11,99	11,45
Cooking Oil 750 ml	3,39	3,69	3,19	3,18
Five Roses Tagless Teabags 250 g	7,49	7,29	6,99	6,99
	98,01	96,60	98,55	96,36

The Star's monthly Consumer Basket survey of the prices of 16 household items — carried out last Wednesday — showed that Spar was the most expensive supermarket and Checkers the cheapest this month.

In January, OK Bazaars was the most expensive and Pick 'n Pay the cheapest.

Bliss yoghurt was on special at Checkers for R2,89, and Pick 'n Pay sold 1 litre cartons of full-cream milk cheaper than the other stores.

Finding prices at OK Bazaars could be frustrating as some of the items on the shelves do not match the price tags underneath. Also, several signs in the Eloff Street supermarket indicated that some products were on special when they were not.

For instance, 500 g packets of Five Roses tagless teabags were packed under a sign marked "Special R8,25". But the same item was marked R7,49 on the shelves.

● Housewives can now save up to R2 on Sta-Soft fabric softener if they buy a new 500 ml concentrate available at all major supermarkets. This will yield 2 litres of Sta-Soft when diluted with water.

Companies focusing on customer satisfaction

KELVIN BROWN

COMPANIES around the world were focusing on customer satisfaction because satisfied customers were likely to recommend a company's products and services, president and MD of CSM Worldwide Larry Crosby said last week.

He was speaking at a Markinor presentation on customer satisfaction measurement (CSM), which he pioneered. It was developed in response to intensified global competition forcing companies into new and relatively unfamiliar markets. BDM 23/2/93.

Some of the international companies using the method are Xerox, General Electric and American Express. (30)

CSM Worldwide is an international network of 14 companies in 35 countries specialising in this form of measurement. Markinor recently became part of this network.

Crosby said CSM's method of measurement was different from other ways of measuring customer satisfaction because it addressed the external and internal quality of the firm by collecting quantitative and qualitative data.

Positive view of interim govt

BDAY 24/2/93 (30)

LINDA ENSOR

CAPE TOWN — About 68% of owner-managers of western Cape businesses believed an interim government would have a positive effect on their operations, a survey by Arthur Andersen, Wesgro and UCT's Graduate School of Business found.

The 460 business owners who participated in the survey predicted negative real growth for 1993 and 75% predicted that current employee numbers would remain static or decrease further this year. However, most believed the economy would improve over the next two years.

"The fact that employment is expected to rise at a lower rate than sales shows employers either intend taking up considerable slack in their productive labour capacity or that they intend making their workers work harder," Arthur Andersen's André du Plessis said yesterday.

More than 55% of respondents said sales decreased or remained the same in the past year and 49% of them predicted that sales would remain static or decrease further. Exports were becoming increasingly important with 45% of the businessmen surveyed saying that their exports had increased during the year.

The businessmen blamed political issues, monopolistic price adjustments and high interest rates for fuelling the inflation rate. A bank overdraft rate of 16,75% by June this year was forecast, falling marginally to 16,25% by December.

The four most significant threats to growth or survival were political settlement, the recession, inflation and violence, with foreign competition regarded the least important.

The Graduate School of Business's Bruce MacDonald said the disregard for foreign competition showed a lack of appreciation of the effect of opening up the SA economy.

"Business owners in the western Cape are likely to be shocked out of their complacency once they meet competition from world-standard players," MacDonald said.

21 years of innovation

***Consumer electronics** is an extremely competitive market, with everybody from the 30 major chains to the corner store bidding for their share. Specialist retailer Stan's, however, continues to grow despite increasingly difficult conditions.*

STAR 24/2/93.

There can be few South Africans who have not at one time or another shopped at Stan's, the specialist retailer of consumer electronics and photographic equipment with a history of quality and service second to none in the highly competitive SA market.

For the past 21 years Stan's has been the innovator, the pace setter and quite simply "the place to go" for all manner of consumer electronics.

The good news is that in spite of the recession, Stan's continues to grow and will show a turnover of about R100 million this year as an increasing number of South Africans come to recognise the attributes that have made this one of SA's great retail success stories.

Moreover Stan Etkind, managing director of the company, has revealed to The Star that three new stores are due to be opened this year: Fourways Mall at Sandton in March, Somerset West in Cape Town and Westville in Durban in September.

In many ways these new emporiums will be a reflection of the ultimate in consumer electronics retailing with specialised sections manned by experts, an enormous range, the latest thinking in displays and of course the latest in hi-tech products.

It was in 1963 that Stan Etkind's father, Abe, established the first consumer electronics store of its kind in SA — at a time when the very term electronics was still something of a mystery to many South Africans.

The site of the store was the Royal Arcade in 62 Kerk Street — a strategic location even in those days, the choice of which hinted at future policy applied to this day by Stan Etkind: that is to always be conveniently located in prime positions for the buying public.

The store prospered and in 1968 it was sold to Adcock Ingram. Stan, who had meanwhile joined his father, was therefore under a restraint of trade.

But the retail bug had well and truly bitten Stan and within the limitations of the restraint agreement he proceeded to open his first store named simply Stan's in 1972.

ELECTRONIC ADVICE ... (above) Many customers phone for information, which is gladly given. COMFORTABLE SHOPPING ... (right) A customer discusses his needs in spacious and comfortable surroundings.

The site was President Street, Germiston, and initially it was a modest 800 square feet. But the mix of range, quality, price and service worked well and the store expanded in stages, absorbing neighbouring shops in the process.

The restraint of trade fell away in 1978 and Stan Etkind started moving fast, opening firstly a new store in the Grand National Building (now Factor's Downtown) followed by more outlets.

The group grew rapidly and highly successfully with turnover and profits improving by leaps and bounds so that in 1987 it was felt the time was ripe to go for a Stock Exchange Listing on the main board in the retail section.

Over the years investors have witnessed consistent performance from the company. When listed, the group had 14 stores. Today it has 33 and will have four more by year-end.

All this has been achieved in the face of an exceptionally competitive environment. As Stan Etkind puts it: "Everyone from the major chains to the store at the corner is marketing consumer electronics." What then makes Stan's different? It is essentially the same basic formula that has been applied over two decades, says Etkind. These are service, range, quality, know-how and ultimately the total back-up.

It is in terms of the latter than Etkind has a problem with the so-called grey marketeers of consumer electronics.

Says Mr Etkind, "Competition on an equal footing is something I welcome. It keeps us on our toes. The grey marketeers or parallel importers on the other hand, land goods here which are high volume by definition and they are able to cut prices because of the lack of infrastructure and back-up.

"Conventional retailers on the other hand have made major investments in infrastructure, training, parts, distribution and servicing networks.

"They are well established and will still be around tomorrow and in the years to come, providing all the back-up the buyer needs; whereas the continued presence of the grey market operator must at best be questionable. The price differentials are also not that great and I therefore question whether the risk is valid.

"Obviously the public have the right of choice in these matters but we believe in supporting the goods we market — even years down the line."

In this context Stan's prides itself in being proactive and a leader in introducing new trends in consumer electronics technology with considerable marketing strengths — something that the wholesalers have recognised and value highly.

The coming year is no exception in this respect and will see Stan's launch among other products, the new recordable Sony mini disc (MD), essentially an even more compact disc with widespread applications (in cars for example).

This technology, which will be available by mid-year, brings portable and recordable compact disc quality to the market and already boasts about 500 titles.

Then there are the new laser discs and players which provide superb TV audio and visual quality of virtually theatre standard and the new Philips digital compact cassettes — all due for release this year.

Another outstanding addition to the Stan's product line-up this year is the superb Venturi range of speakers, which will be premiered in the April edition of "Audio Video" magazine.

Generally Stan's has always been competitive and the coming year will see no deviation from that policy although adjustments are going to be inevitable as a result of the drop in the value of the rand and import duties, which in Etkind's opinion are still far too high.

Etkind is reluctant to delve too deep into the duties debate. But he believes that what he calls the "velocity of trade" — the volume of electronic goods sold — would increase if they were offered less expensively to the market place and that this would more than make up for any decrease in duties.

What he will say is that within Stan's itself everything possible is done to control prices.

An innovation on the price front is Stan's Warehouse, a regular "bargain basement" type sale, held at 181 Louis Botha Avenue branch once a month.

This involves the sale of job lots of suppliers merchandise, with possibly shop soiled defects at cut prices. Another reason for the group's success is aggressive well targeted marketing using various media including the famous Stan's catalogue, which now has a distribution of a million.

There are further innovations in the pipeline on the marketing front in 1993. For example, Stan's is traditionally a cash business but consideration is being given to extending credit — albeit on a tightly controlled basis.

As for the market's prospects in 1993, Etkind remains very positive. "We have weathered the economic storm in spite of tighter margins, strong competition and the effects of the recession on consumer buying power.

"We have also been uncompromising in meeting market needs and we believe we are in pretty good shape to continue to do so," says Etkind.

Mr A RAJBANSI: Mr Chairman, the hon the Deputy Minister is confused. He talks about the financial year ending at a different time. I am talking about the arrears of people who have not paid their rent for years although they have been occupying homes. That is what this debate is all about.

In Phoenix, for example, in a mass housing scheme, the rental formula is causing chaos. Forget the Committee of Housing Ministers! The hon the Minister and the hon the Deputy Minister have the power in terms of the Housing Amendment Act to take the necessary decision.

HON MEMBERS: Hear, hear!

Mr A RAJBANSI: If they do not want to take that decision, we shall take it by resolution of this House. Our people must benefit.

I agree with the hon the Minister that the formula is creating problems and that we must address these problems. Let us not talk about the Committee of Housing Ministers, however, because that is no solution. We know that other Ministers have taken unilateral decisions and made unilateral announcements, while we have been waiting for the committee to sit. [Interjections.] We are going to write off your car loan too. [Interjections.]

Therefore I want to suggest to the hon the Minister that, since this is a serious state of affairs, he should take the advice of the hon member for Southern Natal. In other administrations loans have been written off in the case of old schemes. Most of those people are displaced people, and the culprits are the Nats.

The CHAIRMAN OF THE HOUSE: Order! I have to displace the hon member. His time has expired

The MINISTER OF THE BUDGET AND AUXILIARY SERVICES: Mr Chairman, I have listened very carefully to the points made by the hon member for Arena Park. It is true that we have a problem with the recovery of arrears. This issue was very strongly canvassed at the multiparty meetings that were held in December last year. In the short period in which I was director-general, I made this one of my priorities. To get things moving takes a while, however. The situation which had developed over many years was that rentals and amounts outstanding from local authorities were not collected. I took the view that we should simply send accounts out to local authorities.

Mr M RAJAB: Why don't you write it off?

The MINISTER: To the local authorities? Why? No, I am sorry.

Mr M RAJAB: To the house owners.

The MINISTER: We are talking about local authorities. The task team went out to Isipingo and discovered that in fact Isipingo owed us about R9,5 million more than was reflected in our books. [Interjections.] This is no way to do business. [Interjections.]

The CHAIRMAN OF THE HOUSE: Order!

The MINISTER: The situation with the Durban Corporation is also being investigated. I believe we must get this money in so that we can build more houses for our people and we must do it now, not tomorrow. [Interjections.]

The hon member for Southern Natal made a point which we in this House must take cognisance of. There are poor people in our community. There are people who are unable to meet rentals. There are people who are unemployed. This Administration will be sympathetic to the plight of the poor in our community. [Time expired.]

Debate concluded.

QUESTIONS

†Indicates translated version.

For oral reply:

Own Affairs:

Shallcross link road: petrol service station site

*1. Mr A RAJBANSI asked the Minister of Local Government, Housing and Agriculture:

(1) Whether steps are being taken for a piece of land situated on the Shallcross link road to be rezoned as a petrol service station site; if so, (a) why, (b) who initiated the rezoning and (c) how many other service stations are situated in this area;

(2) whether he will scrap the proposed rezoning; if not, why not; if so, when?

D20E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

(1) Yes. The Housing Development Board has approved that the layout of the township makes provision for a petrol service station site. No application for either the registration/proclamation of the township or for any rezoning has however as yet been made to the relevant authorities.

(a) For the convenience of the motoring public using the Link Road; for the safety of motorists obviating the need for right and turning movements across the road by potential customers, and to create a site which can be allocated to one of the applicants on the Department's waiting list. It will also be for the convenience of buses and trucks which will use the Truck and Bus Parking area provided adjacent to the site, at the request of the Local Authority.

(b) The Department, at the suggestion of a former Minister of Housing.

(c) Three existing and one under construction.

(2) Rezoning is subject to the hearing of objections from interested parties.

Mr A RAJBANSI: Mr Chairman, arising out of the hon the Minister's reply, is he aware that the suggestion of a bus parking area is an outdated idea? Secondly, the Housing Development Board does not take decisions of its own accord, but does so as a result of submissions. Thirdly, is the hon the Minister aware that there are four service stations in and around that area and is he prepared to make another submission to the board in order to stop this nonsense?

The MINISTER: Mr Chairman, I am not aware that the idea of a parking area for buses and trucks is outdated. As far as the board is concerned, it has taken a decision. As I said, however, it is still subject to the application for rezoning. If there are any objections—justifiable objections, naturally—this exercise will be null and void.

Mr A RAJBANSI: Mr Chairman, further arising out of the hon the Minister's reply, is he prepared not to wait for objections, but to put right an injustice that is being done to people who are opening service stations in that area on sites that have already been zoned? A service station is being developed. Secondly, is he aware that it is not possible to put an island in that road to justify such a facility? Thirdly, is his Department prepared to destroy existing businesses that are already overtraded in that area?

The MINISTER: Mr Chairman, it should not be the intention of any party to interfere with the economic feasibility of a matter, particularly an exercise of that nature. As far as the decision is concerned, even if the board has considered the matter, that does not mean that their decision is the ultimate decision.

Cape Province/Natal: displaced traders

*2. Mr A RAJBANSI asked the Minister of Local Government, Housing and Agriculture:

Whether any displaced traders have applied for resettlement in the Cape Province and Natal since the 1989 elections; if so, (a) how many (i) have applied and (ii) have been allocated trading sites to date and (b) in respect of what specified period is this information furnished?

D21E

30

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

Yes.

Cape Province:

(a) (i) One

(ii) One

Natal:

(a) (i) Seven

(ii) Nil

(b) 5 September 1989 to 19 February 1993.

The MINISTER: Mr Chairman, I want to respectfully remind the hon member that we were obliged to provide these answers, but other than that the matter is *sub judice*.

Mr A RAJBANSI: Mr Chairman, arising out of the hon the Minister's reply, in respect of the answers given with regard to the Cape Province, is he able to say whether that particular applicant is from the Cape?

Cont →

The MINISTER: Mr Chairman, I did say the matter was *sub judice*.

(30)

Mr A RAJBANSI: Mr Chairman, further arising out of the hon the Minister's reply, if that matter is *sub judice*, is he prepared to state that since 1989 the hon member for Rylands has taken many victims of the Group Areas Act to the regional office in Cape Town for assistance? Is he aware of that?

The MINISTER: Mr Chairman, I know the hon member for Rylands is a very popular member of Parliament. However, I am not aware of any submissions that he has made.

*3. Mr M Rajab—Education and Culture. [Withdrawn]

*4. Mr M Rajab—Education and Culture. [Withdrawn]

Vice-rector of Durban-Westville: resignation

*5. Mr A SINGH asked the Minister of Education and Culture:

(1) Whether a special arrangement has been entered into with the vice-rector of the University of Durban-Westville in return for his resigning on reaching the age of 60 years later this year; if so, (a) when, (b) by whom and (c) what are the other relevant details;

(2) whether this arrangement has been approved by the council of this university; if not, why not; if so, when

(3) whether she will make a statement on the matter? D28E

The MINISTER OF EDUCATION AND CULTURE:

Since the University of Durban-Westville is an autonomous institution, this question was referred to the Rector for reply.

The Rector replied that a satisfactory arrangement had been negotiated with the vice-rector concerned. This arrangement was approved by the Council of the University on 26 November 1992.

The vice-rector concerned will be retiring on reaching the age of 60 years later this year and not resigning as stated in the question.

HOUSE OF ASSEMBLY

QUESTIONS

†Indicates translated version.

For written reply:

General Affairs:

Labour bureaux: registrations

48. Mr R V CARLISLE asked the Minister of Manpower:

How many males and females, respectively, were registered at labour bureaux as work-seekers in terms of the Guidance and Placement Act, 1981 (Act No 62 of 1981), as at the end of each month in (a) 1991 and (b) 1992? B135E

(335)

The MINISTER OF MANPOWER:

(a) and (b)

	1991		1992	
	M	F	M	F
January	134 490	52 085	163 236	69 131
February	205 329	86 336	197 491	88 143
March	150 356	65 368	180 789	81 972
April	203 660	83 709	201 814	92 461
May	147 490	63 327	197 425	88 814
June	177 781	73 295	201 002	92 048
July	208 490	85 285	212 389	93 807
August	178 497	72 808	213 303	92 040
September	157 720	62 730	226 507	97 192
October	202 217	79 881	215 015	90 055
November	206 268	81 823	213 885	87 422
December	190 603	73 602	232 330	89 934

[*Note:* The Guidance and Placement Act, 1981 (Act No 62 of 1981) does not make provision for "labour bureaux". The figures as stated above refer to the number of persons who registered with the offices of the Department of Manpower as work-seekers for the relevant periods.]

Unemployed persons in each inspectorate area

49. Mr R V CARLISLE asked the Minister of Manpower:

(335)

How many Whites, Coloureds and Indians, respectively, were registered as unemployed in each inspectorate area as at 31 December 1992? B136E

The MINISTER OF MANPOWER:

Region	1992
Central Areas	32 888
Eastern Cape	22 792
Natal	66 692
North Eastern Tvl	32 715
PWV-Central	37 944
PWV-North	30 607
PWV-South	40 766
Western Cape	54 235

Note: As from August 1991 registered unemployment figures according to race groups are no longer available.

Unemployment Insurance Fund

50. Mr R V CARLISLE asked the Minister of Manpower:

(301)

(1) What was the balance of the Unemployment Insurance Fund at the end of 1991 and 1992, respectively;

(2) in respect of each year, (a) what was the total amount (i) paid into the Fund by State employers and employees and (ii) paid out in benefits and (b) to how many applicants were benefits paid;

(3) (a) what is the present average rate of interest received by the Fund and (b) what amount was paid from the fund in respect of administration costs in 1991 and 1992, respectively;

(4) (a) what total amount in unclaimed money was held in the Fund, and (b) how many persons were involved in this amount, as at 31 December 1992;

(5) how many employers were registered with the Unemployment Insurance Fund as at 31 December 1992? B137E

c.c.t

'nformal sector can boost development

How to build the economy

Sowetan 25/2/93 30

CHRONIC UNEMPLOYMENT Support, inspiration must be given to entrepreneurs:

By Mzimkulu Malunga

SUSTAINABLE ECONOMIC GROWTH in South Africa will depend on the type of inspiration and support given to the entrepreneurial society, says the managing director of the Small Business Development Corporation (SBDC), Dr Ben Vosloo.

"South Africa can blame its poor economic growth and chronic unemployment problem on its dismal failure to launch more entrepreneurs into the economic mainstream," he argues.

About 720 000 of the 800 000 formal entities in South Africa were small to medium sized enterprises (SMEs).

They employed about 2,4 million people or 17 percent of the entire economically active population. SMEs together accounted for 45 percent of the national income, Vosloo said.

"The informal sector contributes a further 15 percent to the national income and jointly this sector and the SMEs employ over six million people.

"This is the area the SBDC believes if properly nurtured could act as the heartbeat for development in this country," Vosloo said.

Adding its voice to the ongoing debates on strategies which could be pursued to bring about sustainable growth in the economy, the SBDC outlines various case studies from other parts of the world needing perusal when formulating future economic policy in this country.

Dr Ben Vosloo

The argument centres on several key areas which the corporation's economists suggest could enhance prospects for growth.

Creating a suitable political environment, accompanied by corporate tax incentives could attract foreign investment - one of the aspects believed to be crucial to kick-start the economy.

Although countries of southeast Asia or the so called "Pacific Rim" achieved high economic growth by using massive state intervention, this measure produced negative results in the bulk of the developing world.

"The main reason is that state intervention is an extremely complex task which calls for special skills, flexibility as well as an enabling political and cultural environment," Vosloo says in the SBDC's report.

Rage as garages face 80% rental increase

STimes (Buss) 28/2/93. (30)

By CIARAN RYAN

SEVERAL Caltex dealers are up in arms because rentals on their garages were increased by between 25% and 80% after being "forced" to sign new franchise agreements.

Several dealers are reported to be putting their garages on the market because of dissatisfaction over the new agreement.

But Caltex replies that this is to be expected, as the value of the businesses has been substantially increased through the franchise agreements because goodwill and security of tenure are guaranteed.

The formula for calculating rentals was changed from a fee to 2,17c a litre of fuel sold in 1991 and to 2,45c in 1993. Dealers claim this kills incentive to increase sales.

Caltex replies that the average rental increase for 1993 was 13%. It says rentals are based partly on turnover, "which is normal business practice". But a dealer replies that the 13% increase is the minimum where there was no increase in fuel sales.

Some 380 Caltex garages out of a total of 1 500 have converted to franchises.

Margin

Dealers contacted by Business Times reported rental increases of between 25% and more than 80%. One dealer's rental went up 130% over the last two years.

The dealers, who asked to remain anonymous for fear of losing their franchises, say the agreement allows Caltex to share in the retailers' margin of 15,1c a litre.

Caltex replies that there is nothing untoward in charging rent. Managing director Jock McKenzie says: "Rentals are decided in such a way as to provide Caltex with a return on its investment and the dealer a return on his business."

One dealer who had budgeted for the usual 12% increase in rental was stunned when it was increased by more than 80%.

"We increased sales due to sheer hard work, better public relations and very long hours," he says. "For this we are being penalised, yet those who did not increase their litreage have no rent increase. Because of this new rental we will probably make a loss this year, and this used to be a profitable station.

"I have to sell another 10 000 litres a month to pay for this higher rental," says another dealer. "That means I need extra staff, but I will have to actually retrench in order to cut my costs."

Mr McKenzie says: "The purpose of the Caltex Franchise Programme is to ensure that the highest standards of image, cleanliness and service are provided to the customer.

"Prior to this agreement, rentals were adjusted in accordance with our rental formulas. Some rentals were increased and some actually decreased.

"A rental incentive scheme exists, where dealers can get up to a 12% rebate on their annual rental and last year this averaged 6%."

Caltex says the benefits of the franchise scheme are already evident, with franchised sites reporting a 4% increase in sales in 1992 over non-franchised sites.

Cyclical

Unlike many other franchise systems, all advertising, sponsorship and promotion costs are for Caltex's account, not the franchisee, says Mr McKenzie. All franchise fees are paid into a Section 21 company solely for the benefit of franchisees.

But dealers complained that the promised advertising campaign was terminated after a short period.

Caltex replies that advertising campaigns are cyclical and that, as a result of special promotions — such as its sponsorship of the 1992 Olympics — advertising costs increased by 30% last year.

Most oil companies have switched to franchise agreements.

Under the new Caltex system, dealers sign a three-year franchise, replacing the previous 30-day lease agreement.

All oil companies have embarked on a massive countrywide upgrading of their petrol stations.

The new Shell Ultra Cities are reported to net 7% of Shell's sales. Engen is involved in a R150-million programme to convert Mobil stations to the new corporate livery, and both Caltex and BP have revamped a large number of stations.

Because oil companies receive a target wholesale marketing margin equal to a 15% return on marketing assets before interest and tax, it has been suggested that this is the reason for the massive increase in capital spending on garages.

Mr McKenzie says Caltex's return on marketing assets for the last five years has been below 10%, representing a decline in real returns.

Marketers' margins increased from 5,5c a litre in April 1991 to 13,5c a litre in 1992, a 143% increase in 14 months. Critics have suggested that, as oil companies invest more in fixed assets, the motorist will have to pay higher and higher fuel prices.

Car Magazine reported that the marketers' gross revenues increased from about R935-million to R2,3-billion a year due to the increase in marketing margin.

Assets

Director of energy administration at the Department of Mineral and Energy Affairs, Pieter Jacobs, says the wholesale margin paid to the refiners is calculated after consolidating the marketing assets of oil companies at historical cost.

He would not say how much these assets were worth or by how much they had increased last year, only that the increase was well below inflation.

He says the 143% increase in margin does not suggest that oil companies' marketing assets increased by this amount, because part of the increase was to compensate them for under-recovery in the past.

"The asset base of the oil companies grew by less than the rate of inflation. You must remember that increase in wholesale margin paid to the oil companies was off a previously low base."

New stores add R8-m to Makro's turnaround

STAR 25/2/93. (30)

Mark Lamberti . . . a business obsessed with costs

By Stephen Cranston

Good cost control and a break in its store-opening programme enabled Makro to report a turnaround in earnings in the six months to December, with new stores contributing an estimated R8 million extra to the bottom line.

This was despite doomsayers who said Makro was a haven for GST evaders, who would desert it when VAT was introduced.

But after a two-month hiccup, growth returned to normal.

The sales increase have outpaced those of the major retailers who form the Retail Liaison Committee for all but two months since 1988.

At most, seven percent of Makro's general merchandise business was the buying of goods by customers with GST numbers for personal use.

Managing director Mark Lamberti says Makro is a business obsessed with costs. By concentrating on productivity, on space and people it has kept its cost increases low.

In the seven months to July 1992, costs rose 9,2 percent on the comparable period in 1991.

By January this year, the cost increase had been brought down to seven percent. But the increase in selling prices was 8,5 percent.

Lamberti says Makro will continue to invest in three key areas, the employment and training of people, the renewal of technology and store refurbishment.

Makro should be one of the strongest areas of organic growth for parent Wooltru.

In the US, warehouse clubs are the fastest-growing area of the retail trade, with 30 percent annual real growth. The next fastest, discount, is growing by five percent a year.

The overwhelming advantage of warehouse clubs such as Makro is that they capture the purchases of each customer on their card, enabling them to target their marketing precisely.

Soon after Lamberti took over he stopped sending promotional material about food to customers who never bought food from Makro and saved the group R500 000.

Loyalty

Lamberti says Makro can never be complacent about cost because if competitors are just 1,5 percent cheaper, traders will forget their loyalty to Makro, however good the service.

Makro forms the core of Wooltru subsidiary Massmart, together with Makroffice, Drop Inn and Shield.

Shield turns over about R1 billion and has considerable scope to expand its membership of independent traders, which now stands at 450.

The formal retail trade alone is worth R34 billion.

Moreover, Shield currently only supplies a third of the goods to its members.

Low-margin items such as rice, mealie meal amd sugar are not supplied by Shield, but could in future be supplied through Makro, which could also be used more widely as Shield warehouses.

Hawkers integrated into new CBD development

STAR 25/2/93.

30

HAWKERS have become an increasingly contentious issue over the years and, in general, the formal sector has tried to resist their advance as a force in the market.

However, not all commercial concerns regard hawkers as a threat. Some believe hawkers should be encouraged as budding entrepreneurs and disagree with the often held view that they compete unfairly with store operators who have to pay rent.

The Bridge development has encouraged and established lines of co-operation and communication with the hawkers who have been operating in the area.

Guidance

RMS Syfrets managing director Patrick Flanagan: "We are dealing with a socio/economic programme at the Bridge. The informal sector, the hawkers, have not been turned away. We recognise that they trade in that area and will continue to do so.

"We are providing water and electricity points on the pavements for them. So instead of dangerous gas bottles, if they want to cook food, they can plug in an electric cooker or electric frying pan. Similarly they can get water from the taps.

"The Bridge will be providing cover, so they have protection from the weather. We are liaising with the council's informal trading sector, which has given us a lot of guidance.

"It is significant to note that while we have been in construction, we have not lost a single nail or screw to theft, even though we are right in the middle of a massive movement of people on a daily basis.

"We have made some attempts, which I believe have been successful, to reach the community. We have put up

Pat Flanagan, MD, RMS Syfrets.

hordings around the site with nice graphics, it is a bit of fun.

"We have ensured the trade of all the hawkers around the site during construction. There have been no problems. Big trucks have been delivering to the site. The hawkers have moved to allow them to pass and then gone back to their pitches."

Harmonious

The whole construction project has run with unusually harmonious relations between the contractors and the local hawkers. The developers have set up a liaison committee between themselves, the hawkers and the taxi drivers and the results have been outstanding.

Says Flanagan: "They have known from the start that their businesses were not threatened. In fact, their trade should be further ~~strengthened~~ because The Bridge is going to be a shopping node of the type which currently does not exist in that part of the city.

"I anticipate that we will be setting up a body to co-ordinate all the activities in the area and to act as a link between the formal and informal traders, including the taxis and hawkers. The committee would enable all parties to work together in marketing the area."

Informal

Says Flanagan: "At RMS we have strong views as to the direction the country is going to take. One important consideration must be that big business is not going to generate the job opportunities which are needed in South Africa. The future lies in the hands of the small entrepreneur. If someone is out there shining shoes, cooking mealies or selling a single cigarette, or whatever their business might be, and is able to sustain themselves economically, that is a huge step in the right direction.

"In addition, I do not think of the informal sector as being a threat to the shop operators. They are generally catering to a different market segment.

"I believe the informal trader can be successfully interfaced with the formal sector.

"At the same time it must be managed. This is one of the reasons we are setting up our co-ordinating body between the informal and formal traders.

"If, for example, the centre has an ice-cream parlour paying R70/m2, and an informal trader selling ice-cream and paying no rent, opens up outside there would be a problem.

"I think the informal traders add to the activity level, flavour and colour in the centre. If we can keep to the type of informal trader who is not going to have head on confrontations with the retailers, it will work."

Crossroad for 30 million a year

STAR 25/2/93 (30)

RETAIL shopping on the PWV is generally regarded as being over-traded, but there are opportunities for carefully selected niche projects or areas which have outgrown existing development.

The Bridge is one such niche development. It has been built over the railway lines between Wanderers and King George streets and is aimed at catering for residents in the area.

RMS Syfrets managing director Patrick Flanagan says:

"The Bridge is in a unique location, right at the epicentre of an area where over 35 000 people are living.

"The profile of consumers places them in the C- and D-income groups, the mass market which until recently has not had facilities and they have had to buy at hugely inflated prices. The stores at which they have shopped have not had the buying power to pass on bulk purchase discounts.

"We are going to be providing a range of merchandise which deals with people's daily needs. It is a convenience shopping centre with a slightly broader base.

"The gross leaseable space at the Bridge is not enormous, a total of around 7 3002.

"The Bridge does not provide a comparative shopping experience, it is an urban shopping centre, located in the centre of a large urban population many of whom aspire to a better lifestyle."

The centre has the added benefit of being at one of the busiest taxi transit points in the city, next to the railway station and on major bus routes.

There is very little existing shopping in the area and huge numbers of people move through the area — up to 30 million a year.

ANDREW GILLINGHAM reports

Ackerman. While intersite in-
tends to maximise return on
the SARCC's property, it also

Bridging the consumer gap

STAR 25/12/93 (30)

SITED over the railway tracks in central Johannesburg, The Bridge shopping centre is one of the most unusual built in South Africa.

The centre boasts a Pick 'n Pay and a Diskom as well as around 50 line shops. It is geared towards convenience shopping and caters for the around 35 000 local residents and rail, bus and taxi commuters.

The R36 million project is a joint investment by Transnet Pension Fund and RMS Syfrets and is due for completion next month.

Says RMS Syfrets MD Patrick Flanagan: "We recognise, as developers in the New South Africa, that barriers to providing services and facilities to previously under-privileged people have been removed.

"These consumers want the value and quality which good shopping centres can provide. The quality of The Bridge in terms of construction, design and finishes is outstanding.

"We are focusing on giving people who use this part of the city a top-class and top-quality shopping facility."

An important aspect of The Bridge development is that it has chosen to integrate with the local informal traders rather than regard them as a threat.

And as the informal sector grows, and becomes more formalised, the developers believe they will form the next generation of store operators.

The design of the centre intentionally integrates with the surrounding environment with shops opening on to the streets.

On the upper level, The Bridge has a mix of the more service oriented traders such as optometrists and doctors. There are also more food outlets and clothing stores.

Dynamic

Says Flanagan: "It is significant that all three levels are linked by escalator and lifts. We are not asking people to walk up stairs. We want them to be move easily through the centre.

"The architecture links back to the old Wanderers Club.

"We think it is a nice landmark and very importantly it actually does Bridge a gap between the city and the Joubert Park area. I think there are going to be move developments which link the city. If the city comes together it is going to be more dynamic."

Office space has been excluded as the developers did not believe the area is suited to this type of use.

Says Flanagan: "We could not see who would tenant the offices. There were a number of other tenders for the project which called for a mix of retail and office space. However, it was our very focused approach, providing shopping for commuters and local residents, which won us the project."

The Bridge is just off the main rail thoroughfare and will cater for rail commuters who use taxis and those who switch from taxi to rail transport.

Says Flanagan: "One possible concern is that the area is very congested. To overcome this we are establishing a basement of taxi bays under the shopping area — which should reduce the congestion at street level.

"There will be the taxi facilities and parking for tenants at basement level with an entrance off Wanderers Street and an exit into King George Street.

"There are Shell service stations at both the entrance and exit. The service stations will cater mainly for the taxis. Very significantly Shell has been at the forefront of community relations and equal opportunity programmes."

ARG 26/2/93 (30)

Garlicks going, going . . . gone

LANDMARK: The building which housed the Garlicks store for more than 90 years will remain, but the store itself closes on Sunday, leaving only four of the group's shops countrywide.

Customers saddened by closure

LENORE OLIVER
Staff Reporter

THE closure of Garlicks in Cape Town is the end of an era — and a reminder of when shopping was an occasion, the department store a place to see and be seen, when purchases were delivered and Christmas lucky dips cost a shilling.

The once modern and elegant building put up in 1905 — with additions built in the 1920s and 1950s — was, for decades, the flagship of the giant Garlicks group of department stores which had branches in major centres around the country.

On Sunday, its doors close for the last time.

This week, the once beautifully dressed display windows were empty; quality merchandise — some stacked in boxes on the floor — carried sale tags reducing prices between 25 percent and 75 percent.

Scores of shoppers hunting for bargains and cashiers with their hands full serving queues at the tills talked nostalgically of "the good old days" when it was the "in thing" to shop at Garlicks.

Salespeople — many of whom had worked there for years — said they were "one big happy family" and were distraught at the loss of the last traditional department store in the Cape Town city centre.

Remember names like Stuttafords, Cleghorns, Fletcher and Cartwright, Pickles . . .?

Garlicks, founded by John Garlick, traded on the same site for more than a century and has been in the present building for nearly 90 years.

Garlicks scored many "firsts" in Cape Town when it was built:

- It had lifts, electric lights and automatic sprinklers;
- With eight floors it was the city's tallest building; and
- Twelve of the largest sheets of glass ever imported at the time were used for its display windows.

Garlick arrived in Cape Town in 1872 and in his first months of trading, sold goods worth £207. In later years, the Garlicks group showed an annual turnover of more than R118 million.

But, shopping patterns changed. The supermarket made its appearance and suburban shopping centres proliferated, starting the demise of the downtown department store.

Customers interviewed yesterday were all disappointed Garlicks was closing.

Miss Michelle Page of Durbanville said: "Garlicks is part of the history of Cape Town. It is like taking away a part of Cape Town.

"It is a very popular store with a variety of goods and is ideal for shopping for anything during lunchtime."

Miss Deidré Cloete of Kensington said she was disappointed because "you could buy everything under one roof".

"I hope the new owners will not be changing the facade of the building."

She said people would have to "look far" for a shop like Garlicks.

"It is sad because there is so much history attached to the store."

Michelle Page . . . "it's part of Cape Town's history".

Simon Aaron . . . "convenient shopping at Garlicks".

Deidré Cloete . . . "everything under one roof".

Jenni Karayiannis . . . "was part of our family tradition".

Pictures: BRENTON GEACH, The Argus.

Mr Simon Aaron of Tokai said he would miss Garlicks because he could "buy everything" there.

"It's very convenient because you don't have to go anywhere else."

Miss Jenni Karayiannis of Sea Point felt that although it would be a "shame" to see Garlicks go, one had to move on.

"I still feel quite sad because Garlicks has become a tradition in our family. As a treat, my grandmother used to bring my mother here for tea," she said.

Garlicks has four stores left: Cavendish Square and Parow in the Peninsula, West Street in Durban and Sunnypark in Pretoria.

The Cape Town building between St George's Mall and Adderley Street, has been bought by Norwich Life for R19,5 million and, while the outside will look much as it always has, it will be revamped inside

FM 26/2/93 (30)

McCARTHY RETAIL

Encouraging start

Considering depressed conditions in the retail and motor industries, first results from the merged McCarthy and Prefcor groups are encouraging. Tangible benefits from the merger — an unusual one between SA's largest motor retailer and an expanding furniture, clothing and discount chain group — are not apparent in the first six months' consolidated results, though CE Terry Rosenberg says "identified synergistic benefits" will flow in the last quarter of the financial year.

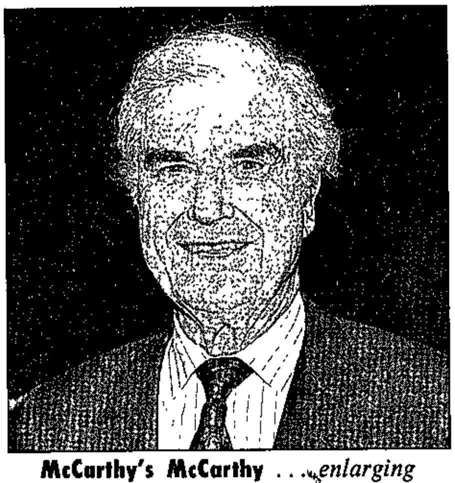
Pro forma comparisons show EPS of the operating (McCarthy Retail) and holding companies (McCarthy Group) down 7%. But chairman Brian McCarthy points out what July's merger did for McCarthy shareholders: they saw EPS climb 66% and the dividend 40% compared with historical figures.

That was one of the motivating factors for the merger from the McCarthy side. On the other hand, former Prefcor shareholders saw EPS drop 59,5% on historical figures, but McCarthy and Rosenberg argue that they have a considerably strengthened balance sheet to fuel growth.

Expansion of the retail interests continued at almost breakneck speed during the six months. McCarthy says the programme of enlarging the furniture business will be completed by the June year-end. This has seen about 20 Beare Group stores opened during the past six months, with about 15 more to open in the next six months.

"We are also continuing with our strategy of expanding the cash business through Game stores," he says. "Three new stores were opened at Empangeni, Pietersburg and Midrand, with four to follow in Nelspruit, Randburg, the East Rand and Westville, Natal."

While the furniture business has grown significantly, it's based on HP sales and absorbs cash. This, says McCarthy, is where the Game business — a strong cash generator — provides a useful link. "It doesn't balance out cash absorbed on the furniture side but certainly helps."



McCarthy's McCarthy ... *enlarging the furniture business*

BELOW TARGET

Six months to	Dec 31 '91†	Jun 30 '92†	Dec 31 '92
McCarthy Group			
Turnover (Rm)	2 274	2 017	2 691
Operating inc (Rm)	138	96,5	127
Attributable (Rm)	43,9	30,1	40,9
Earnings (c)	43,2	29,5	40,1
Dividends (c)	—	—	10,5
McCarthy Retail			
Turnover (Rm)	2 274	2 017	2 691
Operating inc (Rm)	138	96,5	127
Attributable (Rm)	50,0	34,3	46,6
Earnings (c)	32,3	22,1	30,1
Dividends (c)	—	—	8

† Pro forma.

The motor business, where national new vehicle sales fell 5% over the half-year, would have been slightly up were it not for the strike at Toyota. "That had a big effect on us. Toyota is our biggest franchise and we account for just under 20% of their national dealer sales," says McCarthy.

Similarly, he estimates the Prefcor businesses would have been about on a par with the previous period were it not for the mass action stayaway last year, which dented trading in August at Beares, Clobca and Game.

The balance sheet gives the impression the group is overstocked. Current assets, consisting largely of stock and Prefcor's debtors, have grown by 16% to R1,04bn. McCarthy explains that this is seasonal, with the motor business compelled to carry considerably higher stock at end-December (about R50m more than in June) because vehicle manufacturers close at year-end.

In addition, he says, debtors rise sharply in Prefcor's book at year-end due to Christmas sales.

Fireworks are not expected in the second half. Trading should be satisfactory but with Prefcor businesses entering the down season, earnings are not expected to match those of the first half.

Still, the market has gained considerable confidence in the shares. McCarthy Group shares have advanced 61% since December to 435c, while McCarthy Retail is up 21% to 340c.

McCarthy Retail's senior convertible debentures have gone up 31% since they were issued in August 1991. The problem is that management apparently took a long-term view on interest rates being high when the debentures were issued. The initial coupon rate of 12% increases by 2,5% a year to a maximum 25%. If interest rates continue to fall, and stay down, it could be expensive money.

But Rosenberg points out that, in terms of the merger, there is an element of "insurance," since the junior debentures remain subordinated to an interest rate of 6% should the former Prefcor companies not achieve a pre-tax profit of R135m in any year.

Shaun Harris

CD MANUFACTURE (30)

Still waiting on price cuts

When the music industry's big three, Gallo, EMI and Tusk, commissioned a compact disc-manufacturing plant two years ago at Midrand, consumers waited for prices to tumble. But locally made CDs, though cheaper than the same imported albums, are still expensive. Consumers are also complaining about the quality of local discs. Complaints include dust spots or blemishes on the surface that cause the laser to shudder and skip tracks, and poorly printed inlay cards on inferior paper.

Price comparisons at music shops show locally made discs retailing at an average of R50 while imported ones cost about R75. In the US the same CD sells for the equivalent of about R37 (US$12.) The reason for the discrepancy: tariffs and excise duties.

FM 26/2/93.

Running the tax gauntlet

Imported discs run a gauntlet of three duties before Vat is levied: a 10% customs duty, a 37,5% *ad valorem* duty and a 15% import surcharge. Locally made CDs also suffer under duties. The imported master discs are hit with a 20% customs duty as well as *ad valorem* duties and import surcharges that are the same as those on imported discs.

Gallo financial director Shaun Lane says that, along with high tariffs and duties, short production runs for the local market also drive up costs. But, he adds, prices have come down in real terms; the average price hike last year was 8%.

Tusk MD Mike Oldfield says: "When we set up the plant, we began saving on import duties, but this was countered by the cost of the plant."

The Compact Disc Technologies plant cost about R15m with each of the three companies investing an equal share. It is making a small profit and employs 37 people working around the clock, seven days a week, to turn out about 3m CDs a year. Another line coming on-stream next month will boost output to about 5m discs.

CD sales in SA rose by 72% last year, compared with1991, part of the tremendous growth in CDs worldwide as more music lovers shun records and cassettes. Locally made CDs now make up 80% of the SA market but with the rise, have come more complaints. One disgruntled Hillbrow record store assistant says: "In buying the import I can be sure of what I'm getting."

Mad Andy's CD Store owner Andy Harrod says local products can be inferior. "I think the problem is quality control. For example, local discs are not shrink-wrapped before leaving the factory and often arrive dusty; sometimes boxes are scratched."

to continue

FM 26/2/93.

Oldfield says the record companies are looking at shrink-wrapping but some dealers resist this. "They like storing CDs out of the boxes as a security measure. Shrink-wrapped discs mean more work for the shop staff."

EMI MD Mike Edwards admits that the new plant had teething problems but, since a quality committee was formed to investigate complaints, criticism has tailed off. "We have a problem with this general idea that local is rubbish and imported is great. That applies as much to shoes and TV sets as to CDs."

Oldfield says the plant would like to export but doesn't have the capacity. ■

Rage as garages face 80% rental increase

STimes (BUSS) 28/2/93. (30)

By CIARAN RYAN

SEVERAL Caltex dealers are up in arms because rentals on their garages were increased by between 25% and 80% after being "forced" to sign new franchise agreements.

Several dealers are reported to be putting their garages on the market because of dissatisfaction over the new agreement.

But Caltex replies that this is to be expected, as the value of the businesses has been substantially increased through the franchise agreements because goodwill and security of tenure are guaranteed.

The formula for calculating rentals was changed from a fee to 2,17c a litre of fuel sold in 1991 and to 2,45c in 1993. Dealers claim this kills incentive to increase sales.

Caltex replies that the average rental increase for 1993 was 13%. It says rentals are based partly on turnover, "which is normal business practice". But a dealer replies that the 13% increase is the minimum where there was no increase in fuel sales.

Some 380 Caltex garages out of a total of 1 500 have converted to franchises.

Margin

Dealers contacted by Business Times reported rental increases of between 25% and more than 80%. One dealer's rental went up 130% over the last two years.

The dealers, who asked to remain anonymous for fear of losing their franchises, say the agreement allows Caltex to share in the retailers' margin of 15,1c a litre.

Caltex replies that there is nothing untoward in charging rent. Managing director Jock McKenzie says: "Rentals are decided in such a way as to provide Caltex with a return on its investment and the dealer a return on his business."

One dealer who had budgeted for the usual 12% increase in rental was stunned when it was increased by more than 80%.

"We increased sales due to sheer hard work, better public relations and very long hours," he says. "For this we are being penalised, yet those who did not increase their litreage have no rent increase. Because of this new rental we will probably make a loss this year, and this used to be a profitable station.

"I have to sell another 10 000 litres a month to pay for this higher rental," says another dealer. "That means I need extra staff, but I will have to actually retrench in order to cut my costs."

Mr McKenzie says: "The purpose of the Caltex Franchise Programme is to ensure that the highest standards of image, cleanliness and service are provided to the customer.

"Prior to this agreement, rentals were adjusted in accordance with our rental formulas. Some rentals were increased and some actually decreased.

"A rental incentive scheme exists, where dealers can get up to a 12% rebate on their annual rental and last year this averaged 6%."

Caltex says the benefits of the franchise scheme are already evident, with franchised sites reporting a 4% increase in sales in 1992 over non-franchised sites.

Cyclical

Unlike many other franchise systems, all advertising, sponsorship and promotion costs are for Caltex's account, not the franchisee, says Mr McKenzie. All franchise fees are paid into a Section 21 company solely for the benefit of franchisees.

But dealers complained that the promised advertising campaign was terminated after a short period.

Caltex replies that advertising campaigns are cyclical and that, as a result of special promotions — such as its sponsorship of the 1992 Olympics — advertising costs increased by 30% last year.

Most oil companies have switched to franchise agreements.

Under the new Caltex system, dealers sign a three-year franchise, replacing the previous 30-day lease agreement.

All oil companies have embarked on a massive countrywide upgrading of their petrol stations.

The new Shell Ultra Cities are reported to net 7% of Shell's sales. Engen is involved in a R150-million programme to convert Mobil stations to the new corporate livery, and both Caltex and BP have revamped a large number of stations.

Because oil companies receive a target wholesale marketing margin equal to a 15% return on marketing assets before interest and tax, it has been suggested that this is the reason for the massive increase in capital spending on garages.

Mr McKenzie says Caltex's return on marketing assets for the last five years has been below 10%, representing a decline in real returns.

Marketers' margins increased from 5,5c a litre in April 1991 to 13,5c a litre in 1992, a 143% increase in 14 months. Critics have suggested that, as oil companies invest more in fixed assets, the motorist will have to pay higher and higher fuel prices.

Car Magazine reported that the marketers' gross revenues increased from about R935-million to R2,3-billion a year due to the increase in marketing margin.

Assets

Director of energy administration at the Department of Mineral and Energy Affairs, Pieter Jacobs, says the wholesale margin paid to the refiners is calculated after consolidating the marketing assets of oil companies at historical cost.

He would not say how much these assets were worth or by how much they had increased last year, only that the increase was well below inflation.

He says the 143% increase in margin does not suggest that oil companies' marketing assets increased by this amount, because part of the increase was to compensate them for under-recovery in the past.

"The asset base of the oil companies grew by less than the rate of inflation. You must remember that increase in wholesale margin paid to the oil companies was off a previously low base."

Interim rule is best bet for local business

(30)

S/Times [Cape metro] 28/2/93.

By JEREMY WOODS

NEARLY 70 percent of business owner-managers in the Western Cape believe an interim government will have a positive impact on their business.

This is one of the main conclusions of the Western Cape Business Survey published this week by top accountants Arthur Anderson, Wesgro, the promoters of Western Cape economic growth, and UCT's Graduate School of Business.

The 460 business owners who participated in the fifth annual survey, said general political issues, monopolistic price adjustments and high interest rates were the main causes for fuelling inflation.

They also predicted negative real growth for the current year, though the overall tone of the survey is one of guarded optimism, with brighter longer term prospects.

The four most significant threats to the future growth or survival of companies were found to be political settlement, the recession, inflation and violence.

Surprisingly, at a time when the Cape economy is opening some of its doors, foreign competition was regarded as the least important threat.

But, Bruce McDonald, of UCT's Graduate School of Business, believes this shows a lack of insight.

"Business owners in the Western Cape are likely to be schocked out of their complacency once they meet competition from world-standard players."

McDonald said: "We thought we had the best rugby team in the world until we actually went out there and played against them. Local businessmen may find they have a similar experience."

ARG 1/3/93

Pick'n Pay moves into wage dispute with union

BRUCE CAMERON
Business Staff

PICK'n Pay has moved into a wage dispute with the SA Commercial, Catering and Allied Workers Union (Saccawu) with a further battle on staff usage on the horizon, which could result in retrenchments.

A dispute was declared on Friday in wage negotiations with Pick'n Pay offering R150 (equivalent to a 11,5 percent average increase) across-the-board, and the union demanding R250 (19,2 percent).

The dispute has been referred to mediation with three days set aside for negotiation from March 10.

Pick'n Pay labour relations general manager Mr Frans van der Walt said the food chain's offer was in line with the company's history of paying increases above the inflation rate.

"The inflation rate is expected to be less than 10 percent for the year. Our offer also compares favourably with other offers of around five to eight percent."

Dealing with the looming dispute with Saccawu over staff usage, Mr Van der Walt said there had been an on-going difference with the union for three years which was now coming to a head.

A meeting with the union on the issue was scheduled for the end of March and eventual retrenchments were one option.

Mr Van der Walt said the problem lay in three areas. These were:

● Union opposition to staff being transferred from one branch to another as trade patterns differed from one area to another for a variety of reasons, including the opening up of opposition stores or new shopping complexes. Mr Van der Walt said these transfers were in the permanent sense and not for a few days only;

● The alteration of trading patterns within a particular shop affected by changed shopping hours such as late night or weekend shopping. The union was opposed to shift times being changed to accommodate the customer changes that had occured in low and peak shopping times; and,

● Union opposition to employees being swopped from one job to another during work hours even when they were only gainfully employed for half the working shift.

Mr Van der Walt said in all three instances Pick n' Pay was being forced to employ extra staff at substantial cost.

"We have to be cost-effective and particularly so in a recession."

He said the union attitude was that Pick'n Pay had an obligation to employ the unemployed and that it was an unfair practice to change a job discription or the place of employment of anyone established in a job.

Mr Van der Walt said the union also knew it was against Pick'n Pay policy to retrench people.

However retrenchment had to be considered in this case. Effectively it would be retrenching people and replacing them with others who would work where and when they were required.

Confidence among small businesses on the wane

Star 2/3/93

(30)

Small businesses are unlikely to invest or employ more people this year, according to South African Chamber of Business and Small Business Development Corporation survey of confidence levels.

The survey indicates that small businesses are more pessimistic about prospects for the economy this year than the last quarter of 1992's survey.

"High finance costs and low market demand are the biggest constraints on investments at this time. Some degree of absorption of cost increases is expected in the sector, and a trend towards tighter control over cash flows is also expected to emerge," the survey said.

The survey said small businesses were concerned about the high levels of crime and violence, and political development were expected to have a negative impact on the sector.

"It is clear from these results that there is still a large amount of uncertainty within the small business sector, and that if it is to play the important employment and wealth-creating role that many policy-makers envisage, then policies aimed at creating an environment more conducive to entrepreneurship and small and medium enterprise development will be necessary," the survey said.— Sapa.

'Low investment, few jobs from small businesses'

CT 2/3/93 (36)

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Sacob warns Govt against 'overkill' on VAT and tax

Star 3/3/93

(30)

By Sven Lünsche

SACOB FORECASTS FOR 1993	1991	1992	1993
Private Consumption Expenditure (%)	0,2	-3,5	-0,5
Govt Consumption Expenditure (%)	5,7	2,0	-3,0
Gross Domestic Fixed Investment (%)	-8,4	-12,0	-2,5
Investories	—		+
GROSS DOMESTIC EXPENDITURE (%)	-0,4	-2,8	-0,3
Exports (%)	1,2	2,0	1,8
Imports (%)	2,5	1,0	-0,5
GROSS DOMESTIC PRODUCT (%)	-0,6	-2,1	0,5
Inflation (% at Year-end)	16,3	9,6	9,0
Prime Overdraft Rate (Year-end)	20,25	17,25	15,25

The SA Chamber of Commerce (Sacob) has come out strongly against a rise in the VAT rate in the forthcoming Budget.

In a briefing to parliamentary correspondents in Cape Town yesterday Sacob Director-General Raymond Parsons said: "It would be unwise to increase VAT at this time and we urge that any increase that may have to be introduced is kept as low as possible."

However, Parson admitted that some tax increases could be unavoidable given the precarious state of the fiscal deficit.

Sacob was particularly concerned at the timing of a VAT rate hike.

"Imposing a higher VAT rate on a contracting economy is likely to increase the severity of the recession and could result in only a minimal increase in collections and reduced collections from other taxes.

"It could also re-politicise VAT just when the system had been accepted by both consumers and businesses," Parsons added.

Target

In nominal terms he estimated that lifting VAT from 10 to 13 percent (assuming that further exemptions are limited) could raise R3,5 billion with a further R1 billion coming from other tax adjustments.

Against a backdrop of declining disposable incomes, increased taxes would undoubtedly reduce collections below the targeted R4,5 billion.

Sacob admitted, however, that in the absence of tax increases a meaningful reduction in the government's deficit before borrowings was virtually impossible.

Without tax increases, Parsons estimated that — assuming GDP growth of one percent and average inflation of 9,5 percent — the state will raise an additional R8 billion in fiscal 1993/3 from existing taxes.

"To achieve a deficit before borrowing of not more than six percent of GDP, this implies that government would have to contain spending to around R105 billion — a reduction of 9,4 percent in real terms."

Given that even Finance Minister Derek Keys' commitment to a real spending cut of three percent has drawn widespread scepticism, Parsons admitted that this was an impossible task.

"Some increases in taxes might therefore be contemplated," he said.

Preferably though Keys should try and reduce spending still further and may have to accept a deficit higher than six percent.

"The deficit is also a structural problem that has developed over a number of years.

Time frame

"It is therefore inappropriate to try to correct this problem in a single Budget and we recommend that a broad commitment is made to reduce the deficit to internationally acceptable level over three years," Parsons said.

He also warned that the Budget generally had to guard against "overkill" given the precarious nature of the economy.

"The Budget should aim at rebuilding consumer and business confidence, recognise present economic realities and provide a clear indication of the direction to be pursued in the future."

Sacob also used the opportunity to revise some of its economic forecasts for 1993.

The Chamber now expects GDP to increase by a mere 0,5 percent, gross domestic expenditure to fall by 0,3 percent and inflation to reach nine percent by year-end (see table).

Consumer spending 'will slide further'

BD/DM 3/3/93 (30)

MARCIA KLEIN

REAL consumer spending was expected to decline further this year, and most retail categories could expect a difficult year, FNB's Retail Trends report for February said.

It said real consumer spending remained under pressure in the second half of 1992.

There may be "an upward blip" in the first quarter of the current year if there was "a surge of pre-tax-increase buying during March". But there would be a decline in the following quarter "as employment, wage and credit trends continue to exert downward pressure on real spending".

Manufacturing production had also remained under pressure in the second half of 1992, and destocking was "especially marked during the third quarter" because of drought and industrial unrest.

Production capacity utilisation remained poor, and there was evidence of further job cuts.

"With the sales outlook remaining poor and real interest rates high, manufacturing production may not yet have hit the bottom."

Retail sales of non-durables had continued to decline in volume terms as disposable income declined. FNB said the next six to 12 months would probably remain difficult.

Arthur Andersen publication International Trends in Retailing said turnovers in SA had grown only marginally in real terms, and most retailers had seen a decrease in profit margins. There had also been signs of a decrease in consumer demand and output.

It said retailers could face difficult months ahead if they did not become more price competitive. Profits would have to come from improved internal efficiencies rather than higher sales volume.

Bureau of Market Research statistics showed black South Africans now commanded the largest market share in food, beverage, footwear, clothing and television and radio sales, it said.

Retailers would be better positioned to take advantage of these opportunities "if the economy was more stable and change came at a more measured pace".

Stockbrokers Irish & Menell Rosenberg said sales were weak in January, and preliminary figures for February showed no improvement. But clients had said business conditions had improved in February compared with the previous month.

Ackerman in 'last-gasp' plea on VAT-free foods

(30)

GERALD REILLY

PRETORIA — Food Logistics Forum joint chairman Raymond Ackerman yesterday made a "last gasp" plea to Finance Minister Derek Keys on behalf of the forum to free more basic food items from VAT.

Ackerman said the forum had repeatedly stressed to government the crucial need for unloading the tax from essential foods.

"Obviously if this were agreed to some other source would have to be bled to compensate for lost revenue. "But so be it. Unemployment and poverty and resulting hunger are spreading in this country and the least a compassionate government can do is to cheapen basic foods," Ackerman said.

Economists said yesterday government was likely to give way for two sound reasons — humanitarian and political.

B/DAY 3/3/93

Ackerman stressed to scrap VAT on basic foods would be a goodwill gesture which would greatly improve the environment for negotiations.

Earlier in the week the Co-ordinating Committee on VAT called for a zero rating of basic foods and the establishment of an emergency feeding scheme.

Econometrix director Azar Jammine said the likelihood of a variable VAT system being imposed was strong.

This would allow a freeing of a range of basic foods from VAT but would necessitate an increase of as much as 15% in items not classified as luxuries.

Office development slowing to a crawl

B/DAY 3/3/93 PETER GALLI (30)

OFFICE space to be developed countrywide has fallen to its lowest level in four years and the lack of activity is not expected to improve much in the next few years.

A number of developments have been shelved as a result of oversupply of space and the protracted economic recession. While building starts are normally slow during the year's last quarter, new office building starts last December were 25% down over 1991.

Gert Tighey, editor of the New Office Developments report, said the downward trend continued with only 272 513m² due to be completed in 1993. This was a far cry from the 700 000 to 800 000m² completed yearly from 1989 to 1991, he said. The Pretoria/Verwoedburg appeared to be the worst affected area.

The Johannesburg-Midrand-Sandton-Randburg area would see 135 902m² of office space completed this year from 406 777m² in 1992. Cape Town's Tygerberg area was expecting 83 299m² of new and refurbished space to be ready, of which 36 000m² would be for the Sanlamhof.

"Durban is something of a bright spark in the builders' gloom as the 29 926m² expected this year is 46% more than the 20 486m² completed in 1992, but below 1991's peak of 129 197m²," Tighey says.

About 27 of the 173 reported projects had been shelved and included developments by insurance companies, banks and mining houses.

Vacancy figures also hold little hope for a short-term recovery. SA Property Owners Association figures show vacancies in Johannesburg worsened between February and November last year. Except for Claremont, they also deteriorated in Cape Town.

Vacancies in East London CBD almost doubled to 8 300m² from 4 300m², with Port Elizabeth reflecting a similar trend. Pretoria's Hatfield, eastern suburbs and Sunnyside reported vacancy improvements, as did Westville in Durban.

Angry Eastgate shop owners lash out at high rents

(30)

B/DAY 3/3/93.

TRACY SCHNEIDER

SMALL retail shops in the Eastgate shopping centre, battling because of reduced retail spending, have complained of excessively high rentals which they say are driving them bankrupt.

Some were expected to pay up to R150/m² and were "more than carrying the deficit" from cheaper rentals charged to larger chain stores.

Property economist Erwin Rode said a rental of R150/m² was "amazingly high" compared with the R90/m² to R130/m² for similar shops in Rosebank.

While some retailers were trying to sell their businesses, others said they would have to close if the economy did not pick up.

One retailer said the 18 months of modernisation to the centre had affected business dramatically. He accused Eastgate landlord Liberty Life of being "insensitive to small businesses".

However, Liberty Life shopping centres and leasing director Russell Inggs said there was a vast range of rental levels. Rent was charged either as a function of turnover or as a flat rate.

"Our rentals are market related and there will always be casualties," Inggs said.

Tenants entered into a five-year contract and no rent concessions were granted. Rent was only one of the retailers' expenses, Inggs said.

"The question to be asked is whether he is controlling his other costs effectively," Inggs said.

One retailer said Eastgate could no longer be considered "prime" since the nearby Bruma flea market and other East Rand centres had taken away business.

Another major complaint among retailers was the creation of Checkers — the centre's biggest drawcard — as a stand-alone store outside the complex, which meant shoppers no longer entered the main building.

Inggs said the ~~move~~ was at Checkers' request. Surveys had shown that shoppers made separate trips for grocery shopping and browsing.

"Checkers is trading better now," Inggs said.

Tenants complained about paying for upgraded shop frontages during the renovations.

Inggs said Liberty had paid for all the general changes to the mall and that shop frontage was the retailers' responsibility.

Consumers' protection

(30) (24)

CAPE TOWN — Legislation to protect consumer interests — particularly if poorly enforced — created a false sense of security in the consumer, Deputy Trade and Industry Minister David Graaff said yesterday.

He was replying, in an interpellation debate in the House of Assembly, to Douglas Gibson (DP Hillbrow) who said SA had an abysmal record of consumer rights and protection.

Graaff said legislation could lull the consumer into believing he no longer had actively to look after his own interests.

However, overprotection could do more to damage the consumer than doing nothing at all.

SA was in step with modern thinking on consumer rights. BIDAY 4/3/93

"We will adapt and adopt and update our legislation. This session my department will introduce five amendments to existing Acts on consumer protection, which is proof that we are indulging in this dynamic process."

He said any effective consumer law had to recognise and protect freedom of contract and property rights. — Sapa.

Rentals not expected to grow much

B/DAY 5/3/93.

LINDA ENSOR

30

CAPE TOWN — Retail rentals are not expected to grow significantly this year, Real Estate Surveys research director Erwin Rode says in the Rode Retail Report.

The report analyses information on retail property, including shop rentals, operating expenses and escalation rates for 100 shopping centres and 120 streetfront micro-locations in six metropolitan areas.

Rode said retailers' turnovers, profits and trading densities were under pressure. Total monthly retail sales had declined since the end of 1990. In constant 1990 rands, sales had dropped from R6bn at end-1990 to R5,3bn in September 1992.

Furniture and household appliance traders could expect trading densities to shrink to about 7% in real terms this year and traders in clothing, footwear, food and groceries could expect nil growth.

Rode said nominal shop rentals in CBDs had been declining since mid-1989 with the odd upsurge. Cape Town, Port Elizabeth and Pretoria had experienced falling growth rates during 1989, 1990 and 1991 with slight improvements in 1992. But Johannesburg had slow but positive growth since the second quarter of 1990 and nominal rentals still appeared to be rising.

Cafe owners up in arms over murder, robberies

GAVIN DU VENAGE

CAFE owners are to highlight their plight as soft targets for armed criminals.

Several cafe owners have been killed or injured recently in robbery attempts. On Tuesday a Troyeville restauranteur was murdered after gunmen held up patrons and emptied the till.

Catering, Restaurant and Tearoom Association executive director Frank Swarbrek said yesterday his organisation, which represents more than 3 500 members in the PWV area, was preparing a delegation to discuss the issue with President F W de Klerk.

Members were also considering closing their businesses on designated days in protest at the lack of protection from authorities. There had even been talk of public demonstrations.

The association had held "very emotional" meetings in the past weeks, and members were both frightened and demoralised at the apparent inability of police to protect them.

"Never a day goes by without someone being held up, or murdered, or maimed for life," said Swarbrek. "We have even had instances of rape."

Cafe owners worked late hours, and were exceptionally vulnerable, he said.

"We have to draw attention to the situation. We are willing to take positive steps as we are very frightened. Some of our members have left the country."

Police spokesman Capt Eugene Oppermann said yesterday it was up to individual cafe owners to protect themselves. He said close co-operation between CBD businesses had made the area unattractive for criminals. Vigilance from shopowners, an awareness of safety measures and a fast police response time was keeping armed robbers out of the city.

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Retailers income under pressure — Rode Report

(30) CT 5/3/93

MAGGIE ROWLEY
Property Editor

RETAILERS' turnovers and profits are under tremendous pressure and the outlook for 1993 is bleak, according to the first edition of the Rode Retail Report.

According to Erwin Rode, director of research for Real Estate Surveys, publishers of the new quarterly review, trading densities (turnover per square metre) have come under even more severe pressure than total sales and were expected to shrink further this year.

"Those most affected appear to be food retailers which suggests that there is currently an oversupply of food retail outlets," he said.

The retail property market is affected by trends in retail sales because they determine traders' ability to pay rentals. As the situtation was not expected to change this year, no significant growth in retail rentals could be expected this year, says the report.

Rode says that total monthly retail sales have shown a steady decline since the end of 1990. In constant 1990 rands, sales have dropped from about R6bn in 1990 to a seasonally adjusted R5,3bn in September last year.

"Most merchandise types are showing strong negative growth in real sales with the non-durables faring best. The poor nominal sales growth implies that landlords cannot expect much nominal growth in shop rentals in the foreseeable future, at least for the rest of 1993," he said.

Forecasting models developed for the RRR using statistics provided by the Retailers' Liaison Committee and the Central Statistical Services, show that traders in furniture and household appliances could expect trading densities to contract by about 7% in real terms this year while traders in clothing, and food and groceries could expect nil real growth in trading densitities.

Except for odd pockets of growth, nominal shop rentals in the CBDs of SA's major cities have been showing a downward trend since mid-1989, says Rode.

"Cape Town, Port Elizabeth, Durban and Pretoria all experienced decreasing growth rates between 1989 and 1991 with slight improvements occurring last year."

Star 5/3/93

Call for more police as cafe owner killed

30

By Brendan Templeton

The cold-blooded shooting of a Nigel cafe owner yesterday has fuelled demands from embattled restaurant and cafe owners for more effective policing of businesses.

A statement with "detailed suggestions" has been sent to President de Klerk by alarmed members of the 3 500-strong Catering, Restaurant and Tearoom Association (CRTA), its chairman Frank Swarbreck said yesterday.

CRTA members were willing to "put our money where our mouths are", he said.

A CRTA survey had found that violence was inflicting a huge toll on business in central Johannesburg. Following the taxi crisis in the city last month, the turnover of CRTA members had fallen by about 60 percent and many faced financial ruin.

"A lot of our members would like to sell their businesses if they could. After staring into the barrel of a gun, you don't sleep for a long time," Swarbreck said.

Law and Order Ministry spokesman Captain Craig Kotze has promised that the CRTA suggestions will be studied in detail, but stressed that sectoral interests could not be favoured above community interests as a whole.

Nigel cafe owner Manuel Gonsalves de Costa (63) was the second businessman in the catering sector on the Witwatersrand to be senselessly gunned down by robbers this week. Ed Sedlacek (52) was shot dead in his Troyeville restaurant on Tuesday night.

Swarbreck said these were not isolated cases.

Anna Louw reports from The Star's East Rand Bureau that De Costa was shot dead at about 5.15 am by a balaclava-clad man wielding an AK-47.

He opened his cafe door for the man, whom he thought was a customer. A struggle ensued outside and De Costa was shot.

The man fled empty-handed because De Costa's wife, Maria, locked the door when she saw the man had a gun.

Swarbreck said the case illustrated the vulnerability of the catering sector. "We stay open late and often open early — these are hours when policing is usually at a low."

The CRTA proposal suggests beefing up the 20 000-strong Witwatersrand police force to 30 000, using extra funds from private business.

Swarbreck can be contacted on (011) 833-2544.

Star 5/3/93

Pick 'n Pay's turnover accelerating

(30)

By Stephen Cranston

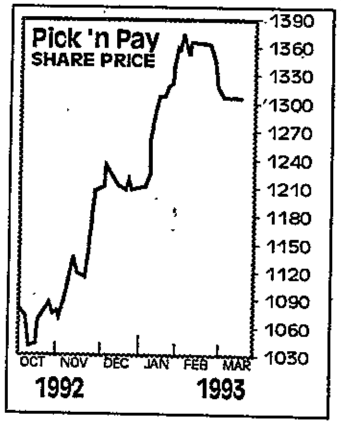
Pick 'n Pay is expected to show accelerated turnover growth for the second half of its financial year to the end of February.

Sales went up 10 percent in the first half, and this is expected to increase to between 11 and 13 percent for the full year.

But it is unlikely to be able to maintain earnings growth at the first half level of 15,4 percent.

Over the last five years Pick 'n Pay's compound earnings growth has been a pedestrian 12,5 percent, which makes it look very expensive at a price: earnings ratio of 22,8.

Ed Hern, Rudolph analyst Syd Vianello predicts that earnings growth for the full year will be as low as 6,7 percent. He says that the tax rate is set to increase as it



used to acquire certain tax exempt income from an insurance policy which it has now cashed in.

The interest it now ears on the cash is fully taxable.

Pick 'n Pay will also be subject to lower depreciation, as it has slowed down its store opening programme and because of lower allowances — depreciation is now 20 percent a year, but was previously on a 50 percent, then 30 percent, and then 20 percent basis.

Nevertheless other broking firms predict that Pick 'n Pay's earnings will come in 10 percent to 11 percent higher than in the 1992 financial year.

Vianello says that market shares are stagnant and Pick 'n Pay is set to remain ex-growth until it makes a more concerted drive into black shopping areas.

Pick 'n Pay's customer base is 65 percent white, a much higher proportion than either OK or Shoprite/Checkers. This has contributed to a stronger margin, which at 2,35 percent in the last financial year was well ahead of both major competitors but offers little prospect for organic growth.

The group's customer profile is set to broaden with forthcoming store openings, which include Lenasia, Kempton Park, Linden and Somerset West.

Pick 'n Pay's introduction of scanning into all its stores is set to improve operating margins as it will be able to keep a closer watch on shrinkage, which has already been brought down to 0,5 percent.

The information it offers will also enable the group to fine tune its stockholdings, improving stock turns and asset management.

Pick 'n Pay's high rating reflects the overall high rating of the sector. Analysts argue that in relative terms it offers better value than Pepkor or Clicks.

Retailers income under pressure — Rode Report

(30) CT 5/3/93

MAGGIE ROWLEY
Property Editor

RETAILERS' turnovers and profits are under tremendous pressure and the outlook for 1993 is bleak, according to the first edition of the Rode Retail Report.

According to Erwin Rode, director of research for Real Estate Surveys, publishers of the new quarterly review, trading densities (turnover per square metre) have come under even more severe pressure than total sales and were expected to shrink further this year.

"Those most affected appear to be food retailers which suggests that there is currently an oversupply of food retail outlets," he said.

The retail property market is affected by trends in retail sales because they determine traders' ability to pay rentals. As the situtation was not expected to change this year, no significant growth in retail rentals could be expected this year, says the report.

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Turnover picking up for major retailer

AN 05/3/93

STEPHEN CRANSTON

JOHANNESBURG. — Pick 'n Pay is expected to show faster turnover growth for the second half of its financial year to the end of February.

Sales went up 10 percent in the first half, and this is expected to increase to between 11 and 13 percent for the full year.

But the chain is unlikely to be able to maintain earnings growth at the first half level of 15,4 percent.

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Ed Hern, Rudolph analyst Syd Vianello predicted earnings growth for the full year would be as low as 6,7 percent. He said the tax rate was set to increase.

Pick 'n Pay would also be subject to lower depreciation, as it had slowed down its store opening programme, and because of lower allowances — depreciation was now 20 percent a year, but was previously on a sliding scale from 50 percent.

Nevertheless other broking firms predicted Pick 'n Pay's earnings would come in 10 to 11 percent higher than in the 1992 financial year.

Mr Vianello said market shares were stagnant and Pick 'n Pay was set to remain ex-growth until it made a more concerted drive into black shopping areas.

The customer base was 65 percent white, a much higher proportion than either OK or Shoprite/Checkers. This had contributed to a stronger margin, which at 2,35 percent in the past financial year was well ahead of both major competitors, but offered little prospect for organic growth.

The group's customer profile was set to broaden with forthcoming store openings, which included Lenasia, Kempton Park, Linden and Somerset West.

The introduction of scanning into all its stores was set to improve operating margins as it would be able to keep a closer watch on shrinkage, which had already been brought down to 0,5 percent.

The information it offered would also enable the group to fine tune its stockholdings, improving stock turns and asset management.

Pick 'n Pay's high rating reflected the overall high rating of the sector. Analysts argued that in relative terms it offered better value than Pepkor or Clicks.

The real bargains in the sector, although there was considerable risk, were recovery opportunities, notably the OK and Tradegro.

'A body to reckon with'

SOUTH 6/3 - 10/3/93. (30)

KHABA, the Khayelitsha Business Association, is an active body of business men and women, who look after the interests of the business community in Khayelitsha, and, *inter alia*, the rest of the community.

Formed in September 1989, by half a dozen spaza owners (four of whom still serve on the executive) Khaba has become an organisation to be reckoned with.

In August 1992, aided by sponsorship from the Nedcor Chairman's Fund, Khaba was able to open its own office with a full time secretary.

Since then it has become the address for anyone with business ideas or problems and also for those from the wider community who are seeking to distribute goods.

Everybody's BUSINESS

Khaba serves its membership in various ways. For the past year, the executive has been negotiating with the security authorities in an effort to overcome enormous problems with regard to criminal activity in the area.

Many meetings and discussions have taken place with potential developers who turn to Khaba for their knowledge of what is required in Khayelitsha by the community.

This, of course, has raised the debate (recently reported in the daily press) about outsiders taking advantage of the opportunities presented by a new market of consumers.

The issue was sparked off by the opening of a supermarket at the Tembani shopping centre by an Indian trader. In the process at least half a dozen spazas had to close their doors as they could no longer compete.

Angered by their helplessness, they turned to the Khaba Executive to hopefully solve their problem by expelling the Indian traders.

This put the Executive in a dilemma. Believing in a Free Market on the one hand, and understanding that outside development was the only way for the community to raise its living standards, they also resented the fact that they could not do the developing themselves.

They felt acutely disadvantaged compared to those who, due to past government policy, had been allowed to accumulate wealth and were therefore now in a position to take advantage of the situation.

The solution lay in working together with the developers in such a way that businesspeople in Khayelitsha would be given the chance to "catch up".

This would mean renting accommodation until they could afford to buy; entering into partnerships where the local people could "learn the ropes" and being offered franchises where they could accumulate expertise.

In other words, to have a transition period during which entrepreneurs who have started their businesses from small bases would be given time to consolidate their assets and be able to compete on an equal footing.

LEADERS: Michael Jwambi (left) and Victor Mbauli, respectively vice-president and president of the Khayelitsha Business Association

These discussions are taking place daily and potential investors are sympathetic and willing to find new ways to solve the problems.

There are no precedents from which one can learn how to tackle these particular kinds of issues and lateral thinking and new thought processes must be brought to bear so that everyone is able to win in the end.

Khaba is also involved in trying to organise bulk buying for the many spaza owners in Khayelitsha.

The problem encountered here is complicated by the lack of proper communication facilities.

Postal services to the spazas are non-existent and very few even have telephones.

However, after many meetings with Telkom, the infrastructure for telephone lines is in the pipeline and telephones will shortly become available to those who want them.

Training in business skills is also available to members of Khaba and many courses have been undertaken by those who were interested. Here again, a problem exists which the executive is tackling — and that is lack of premises from which to operate.

Many companies and organisations have budgets in their social responsibility programs for training and education, but the question remains: where are the trained people to go?

Financial viability is always a top priority and that is understandable. But somewhere there must also be a mechanism so that people who have the skills and have been trained in business principles can rent premises and get on with starting their own small businesses.

Small factories are needed where the unemployed can subcontract to the bigger companies, and ultimately give them cheaper goods and lower overheads.

Khaba executive members network with many and various organisations in an attempt to put Khayelitsha on the business map. It is slow and painstaking work, but it is being done.

Mr Victor Mbauli, president of Khaba, says that every time a new visitor is introduced to the area and reacts with astonishment that "it is nothing like I thought it would be" the closer we get to the possibility that the development that is needed in Khayelitsha will come about.

JENNY HARRIS

M

Small business suffers

SOUTH 6/3 - 10/3/93. 30

JOB PROSPECTS are bleak and investment unlikely in the small business sector, a survey has found.

The quarterly joint study by the South African Chamber of Business (Sacob) and the Small Business Development Corporation (SBDC) of confidence levels among small businesses, has found more people are pessimistic about prospects for the national economy during 1993 than during the previous survey.

High costs and low demand were the biggest constraints on investment, the study found.

The small business sector, however, still accounts for about 30 percent of the South African economy and contributes significantly to employment in the country.

"The small business sector will be looking towards the 1993 budget coming out on March 17 to the extent in which the government recognises its importance," the report states.

"It is clear from the comments received during the survey that there is growing concern about the high levels of crime and violence, and that political developments are expected to have a negative influence on the sector.

Some of the results:

- Of the five economic sectors surveyed, manufacturing was the least pessimistic about prospects for 1993, while 66 percent of those in wholesale trade expect conditions to worsen.
- About 54 percent of respondents expect to maintain their investment levels in 1993 at last year's level.
- With the exception of the Orange Free State and Northern Cape, the majority of respondents in other regions expect business conditions to deteriorate. The Eastern Cape is the most pessimistic.
- Only five percent expect change on the political front to benefit business, while 58 percent expect business will worsen.

WAGHIED MISBACH

C/Press 7/3/93

Divided colours of Benetton

Only one black customer at a time, says store manager

30

By PEARL RANTSEKENG

ONE black gangster at a time!

That's the policy of a United Colours of Benetton store in Maritzburg.

The message was driven home loud and clear to local trainee journalist Gugulethu Maqetuka when he visited the store last week.

Maqetuka was shopping in town when he spotted a jersey he fancied at the Benetton store in Change Lane.

"I was just about to enter the store when an employee advised me to wait outside because the store management did not allow more than one black male customer in the shop at a time," he said.

The shop attendant explained that there was already a black male customer in the shop. He said it was company policy not to allow more than one black male customer into the store as they were "prone to steal".

However, the policy did not apply to customers of other races, who were allowed to come into the shop in any number, the trainee journalist was told.

According to the employee, the manager of the shop told him to monitor the movement of black customers because "blacks are thieves".

Maqetuka then raised the issue with the store manager, who spoke on condition she would not be identified. She alleged that the policy followed a spate of burglaries by "black gangsters armed with guns".

The store manager said that it was not only her shop that was affected, but a number of shops in Change Lane had experienced similar problems with blacks.

"We experience problems mostly from black shoppers. There are vicious gangs of blacks going around and we have to protect ourselves," she said.

She disagreed with her employee that "blacks are thieves" and said the shop experienced shoplifting from all races.

When City Press telephoned the store an employee said the manager was not around and even when she was she did not stay long.

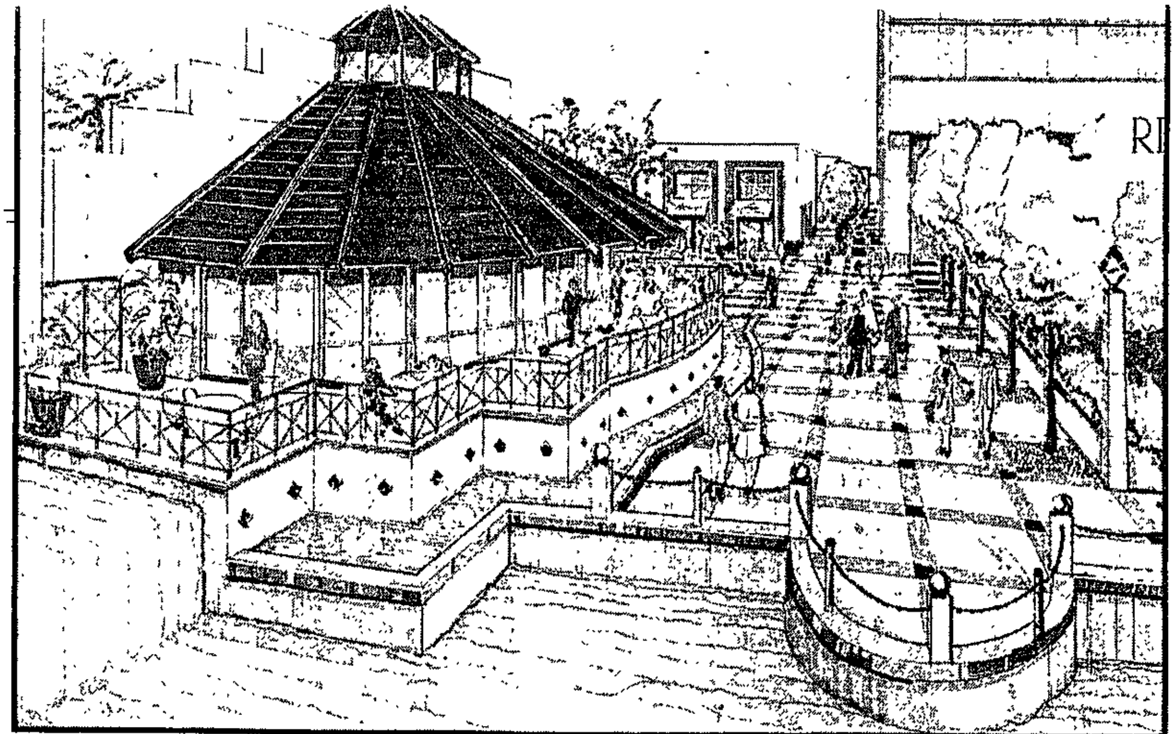
Durban area manager for Benetton, Sharon Pretorius, said the policy of Change Lane Benetton did not apply to all Benetton stores.

Pretorius said Change Lane Benetton was not part of the Benetton chain but a franchise. A franchisee is entitled to make her own policy and rules.

"I cannot say that I agree or disagree with what she did. But maybe she had a good reason for doing so. I can't blame her and can't say much because I do not even know the lady. The best thing to do would be to find out whether she is a racist to ascertain whether or not she is doing this to disguise her personal politics.

"The fact that she has had bad experiences with black gangsters may justify her decision to allow one black male customer at a time. But this will mean that in future when she has the same problems with white customers, she would have to close down because she would feel intimidated by both races," said Pretorius.

City Press tried to get hold of a Benetton headquarters spokesman in Johannesburg but she did not return the messages we left.



WALKWAYS AND WATER ... an artist's impression of the proposed revamp at Milpark

Plan to make it Milpark on sea

S/Times (Buss)

7/3/93.

(30)

By TERRY BETTY

THE Vaalie response to Cape Town's Victoria & Alfred Waterfront development is set to come on stream this year — but without the docks.

JCI's property division plans to revamp the Milpark area, north-west of the Johannesburg CBD, into a R80-million "theme" development a la Bruma Lake and the Horton Plaza in Southern California.

JCI property division executive Russel Jackson says Milpark will now take on the mantle of being a walled city in the centre of which is a skypark with indoor and outdoor restaurants and recreational space.

Key to the development is the complete reconstruction of the Milpark shopping centre, until now a below potential performer covering 5 000m².

The revamped shopping centre will ultimately cover 15 000m² and the top floor will be converted into a park and linked to underground garages, offices and the Holiday Inn via treed walkways.

Mr Jackson says it is a worldwide phenomenon that people want more than just a "bald" shopping centre — they want a destination. This means a number of restaurants and a theme has to be introduced.

He says this is the reason for the success of The Wheel in Durban and Bruma Lake in Johannesburg, where the focus is on entertainment. These developments have a number of restaurants and street corner music as well as cinemas.

Milpark has been chosen because of its close proximity to well-to-do suburbs such as Westcliff, Forest Town and Parktown.

It has about 6 000 office workers in the area, and plans to target the students from nearby universities and colleges, as well as the SABC staff at Auckland Park and the nearby medical community.

Mr Jackson says a theme like this should draw people out of their offices at lunch time to sit in the sun and buy lunch from food vendors.

The planning is close to completion and construction is due to begin next month. The first tenants will move into the extended shopping centre in November.

The entire development is due to be completed by the end of 1994.

Tax breaks for small business?

30

Own Correspondent

JOHANNESBURG. — Bad news in the budget was expected to be tempered by tax breaks for small business and public investment spending aimed at job creation, sources said last week.

The moves are understood to be part of Finance Minister Derek Keys's long-term restructuring plan, due for release this week. It is expected that small businesses with a turnover of below R1m will pay a few percentage points less income tax than other businesses, while there may also be personal income tax relief for individuals employed by these enterprises.

CT 8/3/93

Public sector investment projects are expected to be undertaken in a labour-intensive way to maximise job creation. Sources said it was not yet clear whether specific amounts would be set aside for job creation, or whether the issue would be tackled by maximising the labour content on public investment projects.

The National Economic Forum's short-term working group is studying job creation proposals, with small business and public works key features of the suggestions received.

While only minor aspects of the Keys plan are expected to be translated into action this fiscal year, Keys will show how the budget fits in with the long-term strategy.

Star 8/3/93

(30)

Food sales show surprising decline

By Sven Lünsche

Sales of food last year plunged by 12,4 percent, making it one of the worst-performing sectors in the retail industry.

The sharp fall in food sales is a reverse of trends in previous recessions, where consumers first of all cut their discretionary spending on durable goods and only later on food.

Figures provided by Econometrix show that 1992 sales of clothing increased by 3,8 percent, furniture by seven percent and audio equipment by 5,7 percent.

Other items to show declines last year were non-edibles with 12,1 percent, pharmaceuticals with 3,2 percent and appliances with two percent.

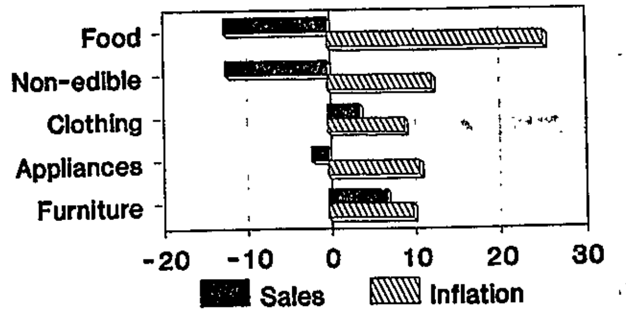
Econometrix describes the poor performance of food sales versus durable sales as "most surprising".

"Many of the better performing retail sectors are involved with discretionary spending and one might therefore have expected these industries to under-perform food in the midst of recessionary conditions and high interest rates."

The retail figures also seem to contradict Reserve Bank data of private consumption spending, which shows that far more is spent on non-durables (mainly food) than on durables.

Econometrix suggests that this could be due to the fact that formal retail outlets have lost market share to the informal sector, whose sales are captured by the Reserve Bank, but not by formal retail sales figures.

Nevertheless, the institute adds that food sales were indeed under-performing other sales, which could signal "entirely new patterns of consumption expenditure".



Retail sales and inflation in 1992 (percentage change)

The Econometrix figures also highlight the large anomaly between demand and price adjustements.

Whereas in a "normal" free market environment, the price of goods would fall if demand declined, retail price increases averaged about 10 percent, despite declining sales in most sectors.

This is most striking in the food sector. While sales declined by 12 percent price, price rises last year averaged 25 percent, although this was slightly distorted by the impact of the drought.

Good second half boosts JD Group

(30)

B/Day 9/3/93.

MARCIA KLEIN

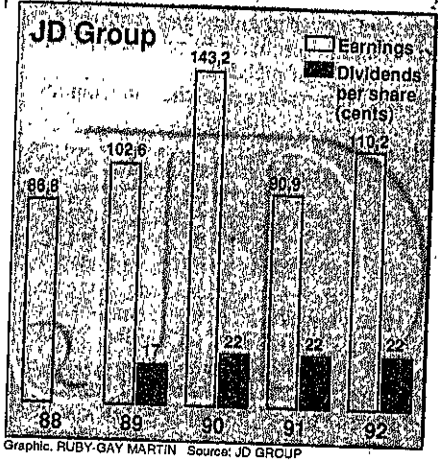
MAJOR furniture retailer JD Group, benefiting from the sale of its debtors' book and an excellent second-half performance, has reported a 21,2% increase in earnings to 110,2c (90,9c) a share in the year to end-December.

Earnings had dropped by 37,8% at the June interim stage in line with a downturn in trading activity in the industry.

Executive chairman David Sussman said the group's strong performance reflected the disposal of the debtors' book, the introduction of central distribution centres, new opportunities to increase market share and improving returns on assets managed.

Turnover of R457,3m, which now includes only cash sales, is not comparable with the previous year's R542,3m because of the sale of the debtors' book to JD Sales — a consumer finance company owned by a consortium of banks. All instalment sales and borrowings have been incorporated in JD Sales since mid-1991. Sussman said that on a like-for-like basis, turnover would have increased by 8%.

Operating income of R33,7m was also not comparable with the previous year's R45,7m. Sussman said operating income would have been much higher on a like-for-like basis.



Graphic: RUBY-GAY MARTIN Source: JD GROUP

JD Group received interest of R5,6m after paying interest of R15,2m in the previous year, largely because of the sale of the debtors' book. Sussman said this, and a bank balance of R71,4m (R58,9m), reflected the benefits of the JD Sales deal.

☐ To Page 2

JD Group

B/Day 9/3/93 (30)

☐ From Page 1

"The creation of JD Sales has eliminated gearing, reduced shareholders' risk substantially and is providing the cash resources for further expansion."

Sussman said the length of the banks' debtors' book was reduced to 13,5 months from more than 15 months in the previous year, and budgeted deposits and collection rates were exceeded.

Pre-tax income rose by 29,1% to R39,3m from R30,5m, and attributable income by 21,2% to R39,3m from R32,4m.

The final dividend was increased to 18c (15c) a share, with the full year dividend maintained at 22c a share. Sussman said directors decided that a five times cover was necessary because of the uncertain economic environment.

He said the central distribution centres and the introduction of computer systems and other stock control measures had had a meaningful effect on stock levels. The number of retail outlets grew to 205 from 178 in the previous year, but stock was reduced to R94m from R96,6m.

The group launched Joshua Doore Catalogue showrooms towards the end of the year. The group has opened 22 showrooms, and another 60 are planned in 1993.

In the coming year, JD Group expected to increase market share and returns on assets employed. Sussman said he expected earnings to grow.

Star 9/3/93

Convention centre planned

Property Editor (30)

If all goes according to plan, Johannesburg will soon be bidding for a slice of the international convention business.

The plan, devised by a Rail Commuter Corporation subsidiary and its private-sector partners, is for a central convention facility able to accommodate 1 000 to 3 000 delegates.

They envisage that the tourist and trade centre will be linked to The Bridge retail complex, the city's first air space development.

The RCC subsidiary, Intersite Property Marketing Services, was formed to turn the corporation's R1 7 billion worth of property holdings to account.

It has now appointed private-sector consultants to determine the viability of such a centre, as well as one planned for Cape Town.

NEWS FEATURE *An ANC government would go all the u*

ANC will push for 'small' businesses

Sowetan 10/3/93.

(30)

■ PROMISING PROMISE *Government should act as a guarantor for business:*

By Mzimkulu Malunga

THE African National Congress would remove all "excessive legislation" preventing small business from flourishing if it became the government.

The deputy head of the department of economic planning, Tito Mboweni, argues that most small businesses do not meet the loan requirements set by financial institutions.

"It is clear that by definition small businesses would not meet the collateral criteria as it stands now but it is for a future government to act as guarantor for the loans given to infant enterprises," he says.

To supplement private sector assistance to small business, the state would, through its financial arm, need to give loans to the Small to Medium sized Enterprises (SME) as well.

"The state should ensure that every department and parastatal has its sub-contracting work done by small business," Mboweni argues.

Business know-how

The key to small business development is know-how, which the movement plans to nurture through the establishment of training centres charged with the responsibility of cultivating an entrepreneurial culture in this country.

He highlighted services like printing where big business and the government could sub-contract all their printing requirements to small business people.

When South Africa finally gains access to international funds in the form of loans from the World Bank or its private sector arm, the International Finance Corporation (IFC), substantial amounts of that money should be channelled into small business.

The IFC is in fact waiting for a signal from the ANC to start putting in money for black business development.

Among avenues being explored to help the development of small business were tax exemptions.

Such comments normally raise interest in big business circles as to whether there would be a tax incentive for companies who do business with small to medium sized enterprises.

Tito Mboweni ... promise to promote small business.

However, Mboweni's response to such speculation is categoric: "I think big business actually has too many tax incentives in this country."

The ANC sounds a word of caution to SMEs as well. The government could do all in its power as facilitator for the advancement of small enterprises but the ultimate responsibility rests in the hands of the entrepreneurs themselves.

They should be able to seize opportunities when they arise, he says.

Small business people should also refrain from being extravagant and spend money on luxury goods.

"We are not saying people should not buy a Mercedes-Benz but we think the money could be used productively to help small business break into the mainstream of the economy," Mboweni argues.

Joint ventures between corporate South Africa and the upcoming entrepreneurs have to be encouraged.

Big business would also have to assist small business people with managerial and financial discipline skills.

Communities should be encouraged to buy from the small businesses in their respective residential areas, he says.

"There is a tendency by people to prefer big chain stores to the small enterprises irrespective of the services offered by the SMEs."

There have been calls from a number of circles for the establishment of a separate ministry for small business but the ANC is yet to make a decision on this issue.

Mboweni, however, cautioned enthusiasts on the notion that such a move could increase bureaucracy and fail to meet expectations.

Though big business executives are often ready to express their interest in working with small enterprises, mainstream companies mostly pay lip-service to small business development.

Hardest hit small business people are black traders in the townships who operate in highly volatile areas where delivery vehicles are stoned by groups of disgruntled youths.

While the ANC has always maintained that such activities are in contradiction of the type of society the movement wants to build, the issue cannot be addressed in isolation.

Unemployment and the high school dropout rate in the townships also contribute to the prevailing situation.

Since 1976 an average of about 300 000 young people in South Africa dropped out of school in grade four. An overwhelming number of these were black.

Public sector in bid to reinforce small businesses

JOHN DLUDLU 30

SMALL and informal business looks set to get a financial boost from the public sector, according to Finance Minister Derek Keys's economic plan unveiled yesterday. BDay 10/3/93

The document spells out an approach through which small business can be promoted. Amongs the suggestions it makes is that small business be given concessions in the implementation of value added tax (VAT).

It says partial financing of the Small Business Development Corporation (SBDC) could be brought about by means of share capital in partnership with the private sector, and the allocation of special programme-bound capital grants.

It also calls for continuous contribution to the funding of non income-generating activities as well as subsidies to increase the yield on less profitable projects.

Capital funds must be channelled to different development corporations in the independent and self-governing states through the Development Bank of Southern Africa. Training and direct job creation programmes should be initiated and funded.

The plan provides for partial privatisation of matching aspects of the public sector, with emphasis on the creation of opportunities for small business.

The document gives guidelines on government-supported development institutions regarding small business. It suggests that the lending rates of these development institutions should be market-related and that the objective of funding should be to finance potentially viable small business enterprises which do not comply with the creditworthiness of private sector financial institutions. It says subsidisation should be on a temporary basis and the state's role should be circumscribed.

Turning to the bank indemnity scheme — which was established in 1990 — it notes access to the scheme had been limited to a few enterprises that were regarded as high-risk cases. It says access to private sector funding could be improved if banks could be persuaded to shift their emphasis from creditworthiness to an output (yield) criteria.

Local authorities, it suggests, can alleviate the problem of accessibility of industrial and trade premises in disadvantaged communities by easing certain landuse rights. Limitations on private property ownership should also be eliminated. It sees the role of organised business as being to advise government on difficulties experienced by small business.

The document notes that the transfer of expertise in SA is inadequate to meet all the training needs of entrepreneurs. In this regard it suggests an "all-embracing programme" be formulated to support small business expertise transfer.

February car sales show an increase

B/DAY 10/3/93 (30)

TRACY SCHNEIDER

NEW vehicle sales in February improved 20,8% over January, but year-to-date sales were 3,4% lower than in 1992, the National Association of Automobile Manufacturers of SA (Naamsa) said yesterday.

February car sales increased 19,7% to 16 146 from 13 484 in January 1993. Motor manufacturers attributed the increase to better availability, pre-VAT and pre-price increase buying and good sales to government departments and car rental companies.

Light commercial vehicle sales were slightly up at 8 141 from 8 109 in February 1992, and improved significantly on January's 6 574. Year-to-date sales were 3,1% lower, with Nissan and Toyota capturing 60% of this market.

Heavy commercial vehicle sales of 390 units were up on January's 332. However, this was 14,7% down on last year's 457, with Mercedes-Benz continuing to dominate the sector.

Toyota SA marketing MD Brand Pretorius doubted that the increasing car sales trend could be maintained if VAT was increased in the Budget and the rand continued to weaken against the yen. The group lowered previous forecasts of 187 000 cars sales for 1993 to 182 000.

Nissan marketing MD Stephanus Loubser said that rather than influencing absolute volumes, an increase in VAT in the Budget and higher fuel prices were likely to result in structural changes to the industry, such as increased buying down trends.

Samcor sales director Sean Bownes said February car sales bounced back to forecast levels and supported the notion that 1993 would be a slightly better sales year than 1992. Samcor experienced supply shortages of Mazda 323, Ford Courier and Mazda B-series bakkies in February, he added.

Nissan forecast a 3,6% increase in vehicle sales volumes in 1993 based on lower interest rates, new model introductions, increased availability and improved business confidence levels.

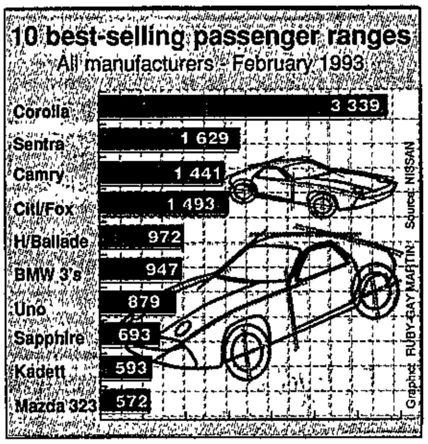
New model introductions this year include Delta's Calibra range and Samcor's new medium-sized car models.

Toyota dominated the new car market in February with a 30,3% market share. Nissan's market share in February increased to 17,2% from 10,1% in February last year.

Volkswagen's market share dropped to 14,4% last month from 21,8% in February 1992 after experiencing availability and quality control problems.

At the end of February Nissan reported a 4,2% year-to-date growth in overall market share.

Three other manufacturers reported market share growth in this period, with a combined total of 4,1%. These were Mercedes-Benz 1,7%, BMW 1,1% and Delta 1,3%.



has expired and, if so, what arrangements have been made with regard to extending that contract?

The MINISTER: Mr Chairman, in order to ensure the smooth phasing-in of the new contract, the present contract has been extended to 30 April 1993.

Resettlement of displaced traders

*2. Mr A RAJBANSI asked the Minister of Local Government, Housing and Agriculture:

(1) Whether he has taken or intends taking steps to assist displaced traders who remain to be resettled; if not, why not; if so, (a) what steps and (b) when; (30)

(2) whether he will make a statement on the matter? D56E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

(1) Yes. Steps have already been taken.

(a) An ad-hoc committee has been appointed to deal with applications for business sites by displaced traders.

(b) The Committee had its first meeting on 22 January 1993.

(2) No.

Sastri College: decision

*3. Mr M RAJAB asked the Minister of Education and Culture:

Whether a decision has been taken by her Department to ensure that Sastri College continues to exist as a co-educational institution; if not, why not; if so, what are the relevant details? D75E

The MINISTER OF EDUCATION AND CULTURE:

No.

The decision was influenced by persistent community pressure and upon the request of the Natal School Grantees' Association in a letter dated as early as 28 February 1986, "that Sastri College should revert to its original role as contemplated by the donors and that its historical role in the community will best be remembered if this is done by the authorities concerned as soon as possible", i.e as a monastic secondary school catering exclusively for boys.

However, it had been decided that girls and boys of the former Gandhi-Desai Secondary School be allowed to attend Sastri College until they complete their secondary school education. It must be noted that Sastri College has been re-opened in its pristine right and not as a replacement school for Gandhi-Desai Secondary School.

It should be mentioned that the Durban city-centre area is also served by a monastic girls' school, namely, Durban Girls' Secondary School and in order to ensure an equitable accommodation balance, a school catering exclusively for boys is also considered necessary.

Although this is the present admission policy of the Department, and this is in keeping with the request of the respected Sastri Alumni and its predecessors, Sastri Old Boys, Save Sastri Committee and Sastri Diamond Jubilee Committee, future policy will be determined by the School Management Council in the pending unitary education system.

Mr M RAJAB: Mr Chairman, arising out of the hon the Minister's reply, will she please give us an indication of when the co-educational status of this institution will cease to exist?

The MINISTER: Mr Chairman, it will continue until the new system is in place.

Mr M RAJAB: Suppose there is one girl left!

The MINISTER: Mr Chairman, we are actually phasing this out. At the moment we have 7 girls in Std 7, 28 in Std 8, 36 in Std 9 and 33 in Std 10. This means that next year there will not be a Std 7 class. In this way we shall phase it out.

Mr N SINGH: Mr Chairman, further arising out of the reply and in view of the draft Bill on discrimination against women which has recently been released, is the hon the Minister of Education and Culture still prepared to accede to the request that Sastri College be made an exclusive boys' school?

The MINISTER: Mr Chairman, I would rather reserve my opinion on that.

Mr P NAIDOO: Mr Chairman, further arising out of the hon the Minister's reply, what would her attitude be should a female student in Std 7 this year fail her examinations and be required to repeat Std 7 next year? Would she move such a student out of that school?

The MINISTER: Mr Chairman, that would be a difficult situation. I would imagine she would be retained, because the courses she would have taken are not being offered at other schools. That is why Gandhi-Desai girls were accepted into Sastri College.

For written reply:

General Affairs:

Prisons: warders on strike

3. Mr M RAJAB asked the Minister of Correctional Services:

(1) Whether any warders at prisons under the control of his Department are on strike at present; if so, in respect of each of the prisons concerned, (a) how many warders are involved, (b) for what (i) periods and (ii) reasons have they been on strike and (c) in respect of what date is this information furnished;

(2) whether he will make a statement on the matter? D29E

The MINISTER OF CORRECTIONAL SERVICES:

To begin I would like to draw the Honourable Member's attention to the fact that the Department of Correctional Services performs an essential service and consequently strikes by members are prohibited in terms of the Correctional Services Act, 1959 (Act 8 of 1959). It should be borne in mind that the Department has a responsibility to care for prisoners and should members be allowed to strike, prisoners could be denied their basic rights such as nutrition, medical care, personal safety, etc. Apart from this, the community would be unnecessarily exposed to possible mass escapes and the associated risks. As such a state of affairs cannot be permitted under any circumstances, the Correctional Services Act, 1959 (Act 8 of 1959) makes provision for the summary dismissal of a member of the Department of Correctional Services after he has been given the opportunity to be heard.

(1) (a) (b) (i) and (c)

As those persons who have already been dismissed still have the opportunity to address representations to me for the revocation of their dismissals, I would like to provide the following details as reported to me, but I do not wish to anticipate the further legal process by commenting on the merits thereof.

On 4 February 1993, 101 members at the Pietermaritzburg Prison refused to perform their normal duties and they were called upon several times to resume their duties. On request the members concerned put their grievances in writing and demanded that their grievances be resolved immediately. Notwithstanding the assurances of the Head of the Prison and the Commander that their grievances would be attended to, the members persisted with their behaviour. Although the consequences of their behaviour had been explained to them, they still refused to resume their duties and chose not to utilize the opportunity offered to them to be heard. Consequently on the same day the members were dismissed from the service of the Department. In terms of section 13B of the Correctional Services Act, 1959 (Act 8 of 1959), these members have the opportunity to address representations to me within 30 days after dismissal regarding the revocation of their dismissals.

During the night of 5 February 1993, a member who did not participate in the strike was cold-bloodedly shot dead at his home. Since then, and as a result of a wide-spread and serious intimidation more members of the Pietermaritzburg prison who mainly reside in Umbali, could not report for duty. This was also the case in Sevontein where a bus transporting members to work was hijacked by an armed person. Both these incidents are being investigated by the South African Police.

Apart from the 101 members who have already been dismissed, it consequently cannot be accepted that the other members who have not reported for duty are also participating in the strike. To the contrary, many members have already made arrangements with their commanders that their absence be covered by leave for they fear for their and their families' lives and the destruction of their possessions/property.

cont-d

HOUSE OF DELEGATES

Strategy for small, medium firms wanted

Own Correspondent

FINANCE Minister Derek Keys has called for "additional strategies" for the formal small and medium enterprise sector.

He said strategies should be aimed at increasing the number of independent small and medium size enterprises, expanding their share of the Gross Domestic Product (GDP), and "improving the efficiency with which they do business".

Keys suggests that the private financial sector should look at the possibilities "whereby they can manage their risk in the market" in cooperation with development finance institutions. These could include;

- Development by private financial institutions of sound screening practicies for the evaluation of applications for funding,
- Special incentives to encourage the involvement of private financial institutions in equity financing of small businesses,
- Development of mechanisms to allow the softening or delay of the repayment of initial loans or installments, and,
- Development of a community banking mechanism in which the pooled funds of the savers in a community are lent to borrowers in that same community, "creating a spirit of self-help and identification with the developments achieved".

Keys proposes that "burdensome aspects" of tax and manpower legislation be addressed and that government should be "pro-active in identifying business opportunities with small enterprises".

(30) CT 10/3/93

It's not so bad being a landlord

Star 11/3/93

Property Editor (30)

Landlords here might be having a tough time, but they should take comfort from conditions abroad. So should their tenants.

So says Rodney Timm, MD of the Baker Street Associates brokerage.

Writing in the Rode Report on the South African Property Market, he noted that recession had pushed up office vacancy figures in most business centres around the world — to as high as 18 percent in London City, for example. In downtown New York and Sydney, one-fifth of the available space is empty.

According to his latest figures, only nine percent of Johannesburg's A-grade office space is empty. And even Durban and Cape Town's 13 percent each doesn't look too bad.

What's more, while rent-free holidays have fallen from a peak of nine months in South Africa to between one and three months, landlords abroad are talking in terms of years.

Meanwhile, tenants here are also having a relatively easy time of it, with the highest rents payable being R36/sqm in Rosebank, where the vacancy rate is just five percent.

In Paris, where there is also a five percent vacancy, they would be paying the equivalent of R187/sqm.

And even in Melbourne, with the highest monitored vacancy rate of 24 percent, they would be paying A$45, or about R78/sqm.

In New York, asking rentals are between $37 and $43/sq foot, and in Los Angeles around $29/sq foot.

Rates in London vary from £37,50 to £42,50/sq foot.

Support for Nation Building

Sowetan 11/3/93.

By Pearl Majola

■ **Parenting workshop gathers community backing:**

PICK 'n Pay has once again pledged its support for Nation Building by sponsoring parenting workshops, one of the most successful Nation Building projects. The supermarket chain is entering its fifth year of sponsoring the ever-growing project that will cover a record five new areas this year.

According to the organisers, Makwetla and Associates, this has resulted in a significant increase to the sponsor's budget. To show further commitment Pick 'n Pay has appointed Mrs Alice Tukulu as their representative on the project.

Recession hitting office equipment retailers hard

BD 11/3/93

JOHN DLUDLU

OFFICE equipment retailers were feeling the pinch of the recession as business insolvency increased, sources in the industry said yesterday.

Triumph Adler Johannesburg branch manager Ron McGowan said the past 13 months had seen a noticeable decline in the demand for office equipment. "As a result we're cutting down on our overheads as much as possible to survive these harsh conditions."

Olympia marketing manager Dieter Kriecker said the market for office equipment had shrunk by about 20% to 25% since the beginning of last year.

Kriecker said countries like Swaziland, Lesotho and Botswana were following the SA trend of declining markets.

Canon MD Doug Lumley said the recession had a twofold impact on his company. The continuing weakening of the rand against foreign currencies, especially the yen, had resulted in enormous difficulties being encountered when importing equipment from Japan.

He said Canon had to increase its bad debt provision and tighten its credit cheques to accommodate the increasing number of insolvencies since 1991.

Nashua marketing manager Chris Scoble echoed this sentiment. "When a company is liquidated we have to write off a substantial amount of leased equipment."

"Now, Nashua assesses the company's position carefully before any transaction is made and if the company's financial position is weak, we offer them re-manufactured and re-serviced equipment at affordable costs," said Scoble.

Lumley said office equipment retailers also had to cope with stagnant demand as companies were taking longer to replace equipment in the hope that the economy would improve.

However, Lumley was confident the situation would improve this year as companies realised the need to replace their office equipment.

Industry sources said the situation would get worse until a political settlement was found.

Politics, economics temper industry's bullish forecasts

(30) (180)

BIOAM 11/3/93.

COMMERCIAL and industrial property market players are slightly more bullish about the industry but growth still hinges on economic and political developments.

Interest rates have started to drop, inflation has fallen to single-digit figures for the first time in years and there is renewed interest in the market — all of which bode well for the industry.

But any real hope for the industry hinges on a speedy political settlement and a sustained economic recovery.

Moderate

RMS Syfrets directors Mike Deacon and Mike Brown say there is only a nine-month oversupply of commercial and industrial space, given a moderate recovery.

If this happens more rapidly than expected, there will be a rapid take-up of the oversupplied space and a shortage will develop. This in turn will stimulate the market, as rentals will be pushed higher and land values rise.

However, while inquiries for commercial and industrial space have increased over the last quarter, deals being concluded are generally subject to intense negotiation and compromise on the part of the landlord.

Concessions in the form of rent-free periods, rental discounts or a variety of allowances remain the norm, although the extent of this is largely determined by the quality of the development and its location.

Landlords with quality buildings in more popular decentralised nodes are less flexible than those with buildings in less popular locations, like CBDs.

The general discount appears to be about three months rent-free for space in decentralised areas on a five-year lease, moving as high as nine-months in the Johannesburg CBD.

While rental levels have continued to fall in real terms almost across the board, rents in certain areas are beginning to show an upward trend — a sign of increased demand.

However, the belief that the country would start to experience an export-led recovery this year has not materialised, placing the industrial market under pressure. Rentals here have fallen and there is little indication of any manufacturing growth or expansion.

The high level of retrenchments has also affected demand for space, with many companies consolidating their premises or merging with others. This has resulted in a decrease in the takeup of space by existing users.

"The harsh realities of the economic recession, which is now in its 51st month, has taken its toll. There are almost no new tenants in the market and most activity taking place is nothing more than musical chairs," says Anglo American Properties sales and marketing director Grahame Lindop.

As such, landlords have had to resort to hard marketing techniques, discounted rentals and other concessions to move tenants into their buildngs.

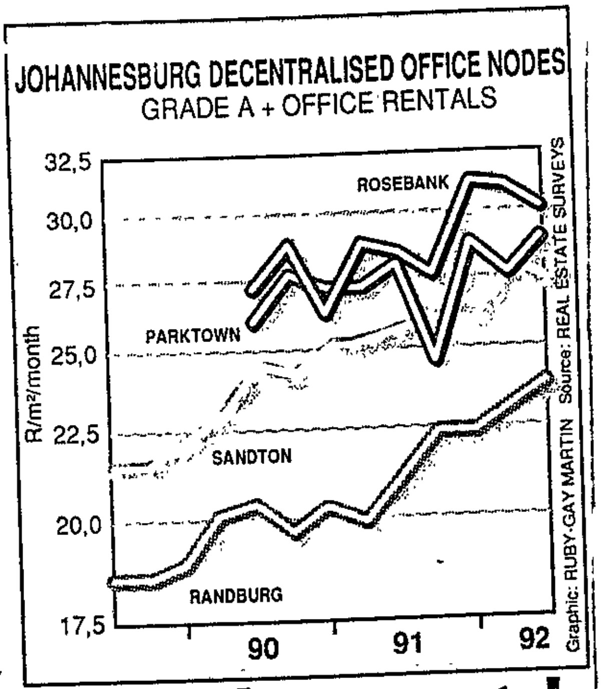
Extended

Another sign of the tough times is that this competition has also been extended to the broking level, where companies are attempting to poach successful brokers from other agencies by offering them incentives and increased perks.

While there are some hopeful signs that the worst of the recession is over and conditions in the property market must continue to improve, a step backwards in the negotiating process or an economic hiccough will reverse any positive gains.

Business Day SURVEY

Interest rates have started to drop, inflation has fallen to single-digit figures for the first time in years and there is renewed interest in the market — all of which bode well for commercial and industrial property. But any real hope for the industry depends on a speedy political settlement and a sustained economic recovery. ***PETER GALLI*** *reports.*



Competing landlords push down rentals

OFFICE and industrial rentals are still largely under downward pressure as landlords vie for tenants to fill empty space.

However, rentals for prime properties in good locations are faring better than for refurbished or older buildings in less sought-after areas.

Seeff Organisational Holdings MD Lawrence Seeff says there was no real rental growth last year and there is little chance of any real growth this year.

"It is still a tenants' market and they are using all the ammunition they have to negotiate the best deal. Landlords are still prepared to look at concessions and incentives to move space," he says.

However, many of the institutional landlords are reluctant to enter into long leases with good tenants at the lower prevailing rentals and an increasing trend is towards longer leases that start off at a lower rate but have provision for a free-market review after a few years.

But tenants are not able to negotiate that strongly for space in new, quality buildings in prime locations as space in most of these still reflects good demand, he says.

Mortimer Property Group MD Paul Maddison says rental levels have been moving downwards over the past three or four years and are likely to continue to slide.

BDM 11/3/93

Remain

Vacancies are likely to remain much as they are for the rest of the year as there is not much additional space coming on stream. While much is made of vacancy levels in the local market, compared with most offshore countries our vacancy factor is very low, he says.

However, as soon as there is a sustainable upturn in the economy there will be a "frightening increase" in rental levels.

RMS Syfrets commercial director Mike Deacon agrees, saying when the market improves and building costs and land values rise, there will be a considerable upturn in rentals.

Tenants are still negotiating rent-free periods or lease discounts. While these could be as high as nine months in the Johannesburg CBD, a good tenant could only negotiate about three months for space in prime decentralised nodes.

Free market reviews are the route of the future as these take away the need to guess how the market is going to perform in the future and what inflation will be.

"Landlords and tenants are insisting on free market reviews in the lease if it is signed for a lengthy period as, with political uncertainty and a volatile inflation rate, it is difficult to set fixed rental escalations for any period," says Deacon.

Anglo American Property Services sales and marketing director Grahame Lindop says its policy of offering rent-free periods and discounts has worked well.

"We cut rentals substantially last year to move space. We adopted a very aggressive approach and it has paid dividends in terms of increased inquiries and actual deals concluded," he says.

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Select

Its initial offer of nine-month free rentals, and now its policy of 30% off the first 30 months of a five-year lease for select buildings in its portfolio, would be maintained until market conditions changed.

As it was Ampros's 30th anniversary it decided to offer the 30% discount strategy, which was also better from a cash flow point of view.

Indian buyers snap up land

PETER GALLI

RAND Mines Properties (RMP) has sold commercial, industrial and residential land worth about R30m to Indian buyers in the past few months.

"The Indian business community is taking a positive economic and political view of the future, which is reflected in the fact that they are buying large tracts of land," RMP marketing director Owen Wiggins said.

Almost half of the 30 available stands at RMP's new Crown Extension 7 township have been sold for a total of R4m since the project was launched little more than two months ago.

The land has been bought mainly to build clothing sector-related premises. About R6m is expected to be invested in the construction of these buildings. The R2,7m servicing of the township will be completed by July.

The township lies on the southwest fringe of the city and covers 8,2ha — of which 5,6ha is saleable. These sales come in the wake of the sale late last year of 85ha of RMP land to the Islamic Bank for R25m. The land, situated a few kilometres southwest of the city in the Ormonde Valley, is earmarked for a R200m housing estate.

"These developments reflect the growing awareness of the many opportunities, business and otherwise, that lie in the corridor between Johannesburg and Soweto. RMP is very active in this area and we believe there is strong potential growth," Wiggins said.

The group was also moving ahead with its 8ha Crown 8 township, which fronted on to Main Reef Road opposite the city testing grounds.

588 30 BDay 11/3/93

Retail development revival for black areas

BIDAY 11/3/93

THE development of retail centres in black areas should start moving again this year, says RMS Syfrets MD Pat Flannagan.

Legal and some political constraints to development in these areas have been removed and will result in numerous opportunities for black people, he says.

The move will see both good and bad developers and developments and investors will have to exercise caution, he says.

"The amount of capital required to develop such a centre is quite substantial and the investment requirements of the major institutions could serve as a deterent to less sound schemes or fly-by-night developers," he says.

Generally, SA is overshopped if the aggregate of all leasable space is taken and all available trading densities divided into this. But continuing urbanisation will see more development to meet growing consumer and retail demand.

Major retailers say they are confident they are not overexposing themselves by continuing to invest in shopping centres, particularly in the north of Johannesburg.

They say market research shows there is still a demand for such facilities. Edgars group property development manager Mike Lewin says any decision is based on whether the business generated by the new store is sufficient to justify its establishment.

OK Bazaars MD Mervyn Serebro says much market research is completed before a decision is made.

Flannagan says the protracted recession is affecting all sectors, while the concommitant drop in consumer spending is affecting turnover levels, particularly for smaller retailers.

"The recession has resulted in increased difficulties in collecting rentals, and vacancies are at their highest level in 10 years. In spite of this, the retail sector has still outperformed the commercial and industrial markets," he says.

While rentals are largely location specific, there could be rental growth if the economic and political situation improves.

Food price cuts could begin today — major retailers

BTDAY 12/3/93

MARCIA KLEIN

MAJOR retailers and manufacturers expect price benefits from next month's zero rating of certain foodstuffs to start flowing through from today.

On Wednesday Finance Minister Derek Keys announced a zero rating on rice, fresh vegetables and fruit, some vegetable oil and milk products, brown wheaten meal, raw eggs and legumes.

The zero rating, which would be effective from April 7, would mean a 10% reduction in some food prices.

Pick 'n Pay marketing director Martin Rosen said yesterday his chain of stores would immediately cut the price of certain brands of eggs, rice and milk.

Major manufacturers and retailers praised government, saying Keys' decision would mean a 10% reduction in some food prices. But most said meat and white bread should also have been zero-rated.

Blue Ribbon Meat Corporation CE Gareth Ackerman said the continued imposition of VAT on meat was ominous news for consumers, particularly in view of recent Meat Board recommendations to government that import duties be set at a high level.

Foodcorp CE Dirk Jacobs said he had hoped all products which were previously GST-free would be zero rated. However, as meat made up a third of the total food basket, it could have been too much of a burden to zero rate it, he said.

Premier Food Industries chairman Norman Fowler said the Food Logistics Forum — which he convened — trusted that further extensions, particularly on unprocessed meat and white bread, would be introduced.

A Tiger Oats spokesman congratulated government on the new system and on the fact that it had introduced it after consultation. However, he was disappointed that sorghum products were not VAT-exempt.

SA Agricultural Union president Boet Fourie said there were mixed feelings in agricultural circles. Agricultural producer prices would be under less pressure than when VAT was introduced. However, similar exemptions had resulted in "the total collapse" of the GST system.

ADRIAN HADLAND reports from Pretoria that Consumer Council executive director Jan Cronje urged consumers to report wholesalers or retailers who did not exempt basic foodstuffs from VAT to the council.

He appealed to food producers, wholesalers, and retailers to ensure consumers received the full benefit of the exemptions. Further concessions were required from government to provide relief for millions of consumers impoverished by the continuing recession, Cronje said.

Our political staff reports from Cape Town that the DP said government's short-sighted, dogmatic approach to VAT forced it to backpedal, making the system increasingly complex and open to abuse. DP finance spokesman Ken Andrew said the increase in the range of zero-rated foods would provide some welcome relief to consumers. However, medical services should have been excluded, "as taxing illness is unreasonable and is particularly onerous for senior citizens and the less well-off members of our community".

Sapa reports that Inkatha welcomed the zero ratings, but bemoaned the exclusion of medicine and drought-resistant crops such as sorghum and millet from exemption.

Medical Association of SA chairman Dr Bernard Mandell also said health services should have been exempted. "We had hoped that, seen against the background of increasing costs in the provision of health services and an ailing economy, medical services and medicine in particular would be zero rated in the interests of allowing the provision of more affordable health care."

Plan before starting out

Going into business may sound exciting. But success requires thorough planning. The SBDC gives some (30) sound advice:

South 13/3-17/3/93.

STARTING a small business venture is one of the more exciting challenges one can face. However, the success or failure of any enterprise depends on thorough planning.

Most important is for the market the business intends to serve to project the income the business could generate.

Market research is a neglected aspect of mini-businesses and usually the main reason they fail.

Everybody's BUSINESS

The first step in assessing a business opportunity is to determine to what extent you can draw on your own skills, experience and education and determine whether you could improve or at least compete with existing products or services.

Also, establish the size of the market. To do this, footslog. Speak to potential customers, suppliers, competitors — anyone from whom you may glean some information about the area you wish to do business in.

If you plan to commit substantial capital to your venture, it may be wise to consult a market researcher.

The benefit of starting small is that you can feel out the market without incurring exorbitant costs.

A rough checklist of questions to be asked, with regard to the market, are:

- Is the market growing, contracting or remaining static?
- When are the peak times for your particular product or service?
- Where is your market located?
- Is it seasonal, and if so, why?
- What industries or other companies serve your particular market (who are your competitors)?
- Who are your suppliers or potential suppliers?
- Why does the market buy from the competitor?
- What can you do to counter the competition?
- What would an effective entry cost?
- How do you promote the new venture? How would you finance it? What approach would you adopt?
- Would you be price competitive, or select to be quality competitive in terms of service and product?
- What regulations (red tape) are likely to govern or set limitations on your proposed venture?
- Why would people or companies buy your product or service?
- What are the needs of your potential customer in relation to the products or services you intend to provide?
- What kind of merchandising or packaging is required to attract more business?
- What would the buying power of your potential customers be?

With regard to the competition, you need to ask:

- Who are going to be your major competitors?
- How many are there and where are they located?
- How big are they and what proportion of the market do they hold?
- Which customers are they supplying?
- What is the competition charging?
- What are the strengths and weaknesses of your potential competition?
- Could you improve on your strengths to benefit from the weaknesses of your competition?
- Why do you imagine you would compete successfully?

You also need to identify the type of person or company which would buy your product or service. This should include all the necessary characteristics, buying power, age, location, activities, needs.

The more accurately and extensively the market is analysed, the greater the chance of success.

Market research would inevitably suggest a course of action, as opportunities and obstacles would become more obvious.

- More information may be obtained from the SBDC at 60 Sir Lowry Road, Cape Town or Tel: 462 1910.

BUSINESS AS USUAL: A small business hive made possible by the SBDC

"Everybody's Business" is a weekly column for those involved with or planning to start a smallbusiness. It offers practical advice, and acts as a sounding board for those encountering problems or requiring further details.

CHRISTO WIESE

S/Times (Bus)
14/3/93.

CHRISTO WIESE, the man who took hold of the Pep group family retailing business 10 years ago with a market capitalisation of R100-million and turned it into the mighty Pepkor Group with a market capitalisation of R3,3-billion, is a formidable player in the field of South African business.

He is tenacious, has boundless energy and a R600-million cash pile backing his restless ambition to turn his Pepkor Group into a major force on the international scene.

"We're taking the group across the Limpopo and the Atlantic at the same time," he quips, citing his 30-odd stores in Scotland as the launch pad for European expansion.

At 51, he runs a group that now has an annual turnover of R7,5-billion and includes Pep Stores, Checkers, Shoprite and Smart Centre Stores as well as a host of other businesses.

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Faith, positive thinking, hard work . . . and Pep

BY [illegible] WOODS

An advocate by training, Wiese has many of the spoils of success. A beautiful home on the rocks at Clifton, the recently bought Lanzerac Estate — where the Manor House is being converted into a home and 40ha of vineyards replanted — and a West Coast beach house.

He finds his rigorous work schedule "pure, unadultered pleasure" and has never been more optimistic about the future of SA.

But beneath the surface of this high-powered financial flyer lies a philosophy that is deeply rooted in his early family life and upbringing in Upington.

"I learnt my tenacity there," he smiles. "I regard myself as blessed being brought up in Upington. It was a frontier town with hard, tough people. I grew up with a great sense of belonging."

He never thought he would live anywhere else until his third year at Stellenbosch University.

"Then one day I woke up and realised I would never live in Upington again. And that's the way it turned out, though I have been back often to visit."

Still a regular church-goer, those early years have left their mark and even now the Pepkor Group is run on the same family principles his father taught him.

"The philosophy behind Pep is still faith, positive thinking, hard work, enthusiasm and compassion," says Wiese, who places particular store on friendship and loyalty.

But for all this sobriety he is still a man who laughs very easily and exudes enormous charm — as well as power.

"The great thing is to never take yourself, or life, too seriously."

Is he still ambitious; does he sti get a thrill out of making money

"Of course. I can still remembe the day I made my first million an it felt great. But what is fascinatin is that one's visions are constantl changing. I can remember the da when we thought: 'Wouldn't it b fantastic to have a hundred Pe stores?' Then we wanted five hur dred. Now we have 1 700 Pepko Group stores selling food, clothin and building materials.

But for a man with many, man millions the money is not quite a important as it was.

"I love the day-to-day involve ment, the creativity. Building business — that's what gives me great thrill."

And interestingly, Christo Wiese a businessman who some people se as the next Anton Rupert, has neve been more optimistic about SA.

"I have never felt more optimisti about South Africa's economic o political future. It's an almost un qualified vote of confidence," he de clares.

The first major hurdle to over come in the new SA, he says, is the age-old problem of the "rich old mil lions and the poor young billions" — a minority that creates wealth and a majority with none. The answer, he believes, is the same the world over

"Either the old millions build higher walls round their homes or they reach over and say: 'Let's make life better for everyone'," a process he feels is well under way in SA.

"I believe it's going to be a tough year, but I believe we are over the worst. Growth should start coming slowly in the third quarter of this year at about one to 1,5 percent of GDP."

Meanwhile, Wiese feels now is a good time to be acquisitive and expand core businesses. Furthermore, he has some R600-million cash in his group to do it.

Managers, beware. If your assets aren't performing and you are in Pepkor's sphere of businesses, ignore your share price and share register at your peril.

If the money's white, that's all right . . .

C/Press 14/3/93

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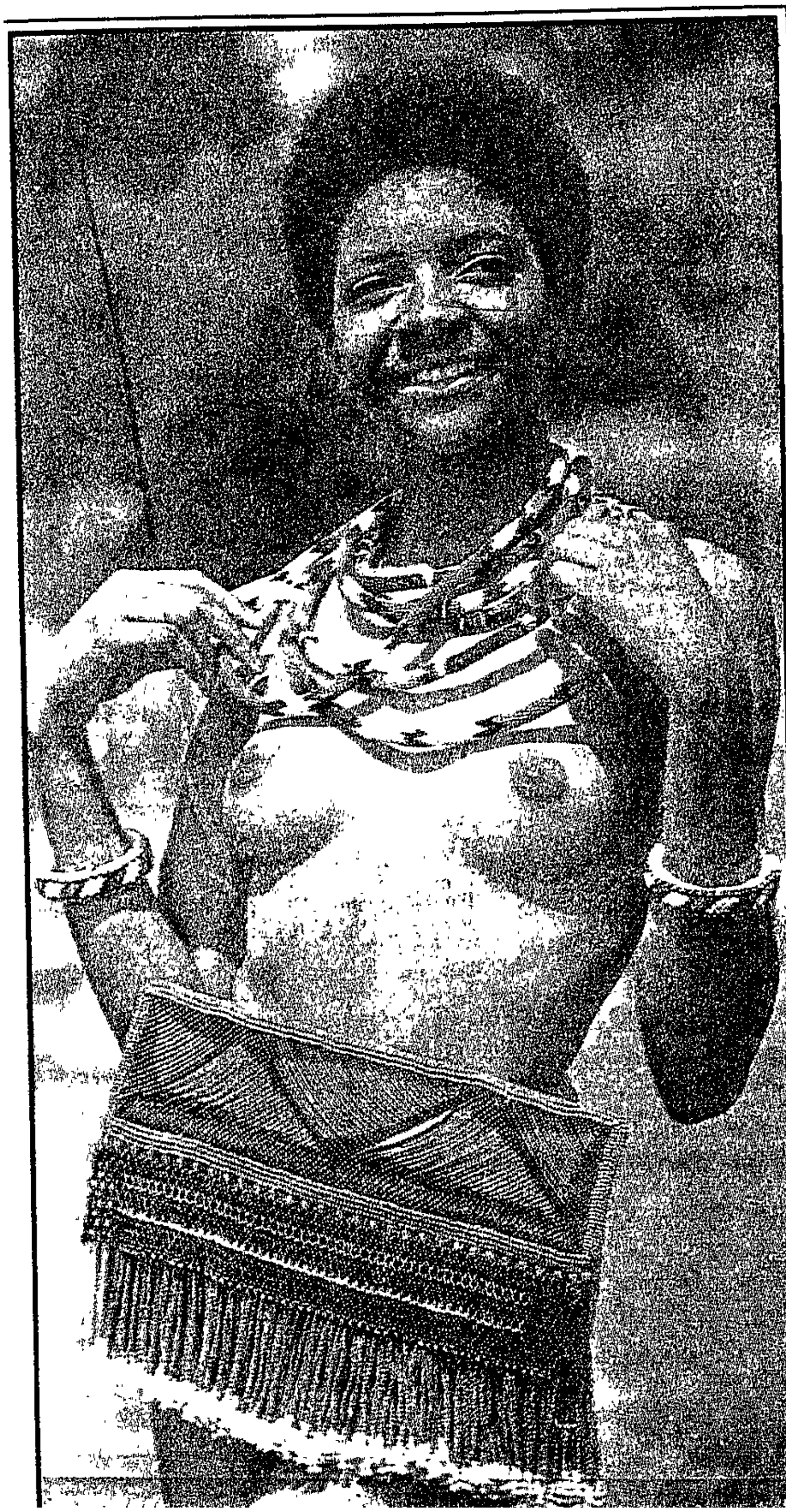

'I don't want blacks in my shop'

By MONWABISI NOMADOLO

JUST at the dawn of a new SA, apartheid die-hards are still at pains to preserve it.

Take for example CP member Helmut Lachmann of Benoni, who confessed to me that "he did not want blacks" in his shop.

The sign on the door of Studio One Furniture on the corner of Woburn and Tom Jones streets in Benoni, is straightforward: "Right of admission reserved."

City Press driver Andries Pimpi and I were inside Lachmann's shop, admiring goods on sale. Lachmann was out on lunch. We had ignored a warning from his black shop-assistant not to enter the shop, "because it was exclusively for white customers only".

There were butterflies in my big tummy when I saw the bulging figure entering. He stopped on his steps, red-faced and irritated. Wagging his finger, pointing at the door, he said: "Get out ... Step outside." Detecting some hesitation from us, he shouted: "I say get out!"

"But sir I'm interested in buying something and I was just looking around," I replied.

"I don't want to talk to you ... I don't talk to anybody ... Get out!"

SHE'S SO BEADIFUL ... Thelma Mampuru, 17, cut a fine figure in the park as she displayed her wonderful beads for our lensman. She wants to be a photographer one day so that she can take pictures of men displaying their beadwork too! ■ Pic: THULANI SITHOLE

Cop's two-year slog nets two girlfriend killers

By MARTIN NTSOELENGOE

TWO men were found guilty in the Rand Supreme Court this week of slaughtering their girlfriends.

Joseph Pule Mofokeng, 36, of Ivory Park, and Ted Mack Lottering, 23, of Masevate Street, Eden Park, were found guilty of murdering Storey Elizabeth Hlalele and Ntombikayise Tryphina Selekane on September 1 1989.

Their mutilated bodies were found in Mofokeng's shack. The men fled to QwaQwa.

Sgt Morgan Mahale told the court his search for the men had gone on for almost two years until relatives eventually revealed the men's whereabouts.

Witness Julius Manyosi said he saw the men assault the two women outside the Delmore Hotel near Springs. He said he realised that the women had no chance of surviving.

The women were punched, kicked and hit with an iron rod.

Elizabeth's sister, Mirriam, said Elizabeth had come to stay with her at her work after she had decided to leave Mofokeng after he had an affair.

She said she and the two women had gone to the Delmore Hotel to drink.

Mofokeng had come into the hotel and demanded that Elizabeth go with him. She had refused, accusing Mofokeng of being unfaithful.

Elizabeth had said that every time she went with Mofokeng she met the other woman and they would fight. A furious Mofokeng had accused Elizabeth of sleeping with one Jabulani.

After the beating outside the hotel, the women were driven away by the men.

Judge Le Grange said Lottering was a liar and gave false evidence in the witness box.

The case is proceeding.

served.

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There were butterflies in my big tummy when I saw the bulging figure entering. He stopped on his steps, red-faced and irritated. Wagging his finger, pointing at the door, he said: "Get out ... Step outside." Detecting some hesitation from us, he shouted: "I say get out!"

"But sir I'm interested in buying something and I was just looking around," I replied.

"I don't want to talk to you ... I don't talk to anybody ... Get out!"

Even though the sign on the window says "12 months to pay", Lachmann said it was cash only when I insisted I wanted to buy something.

I asked to look around the shop to choose, but he replied I could only do that from outside.

One of Lachmann's victims, Thabo Ntseoane, general manager of an insurance firm, was impressed recently by the goods he saw.

"On entering I found the manager talking to a white woman," Ntseoane said. The man chased him out "like a dog".

Asked why he was being kicked out, Ntseoane said the man told him he was a racist.

Lachmann did not deny chasing Ntseoane out of the shop, adding he was certainly not the only one to be chased away.

Asked if he did proclaim himself a racist, Lachmann replied: "So what? You're also a racist."

Talking in a near-cracking voice, he said he was entitled to do as he pleased. He said he did not hate blacks, but stressed he did not want them in his shop.

Business exodus leads to retail boom in Cape

Star (Cape Metro) 14/3/93. (30)

By JEREMY WOODS

AN INCREASING exodus of businessmen from Johannesburg and Durban to Cape Town has led to a shot in the arm for the retail property market in Cape Town and the Southern suburbs.

"An awful lot of businessmen are selling small to medium sized businesses in places like Johannesburg and Durban, and moving down to Cape Town," said Leon Que'net, the boss of Dunlop Heywood's retail leasing division in Cape Town.

"The calls started about 18 months ago and have been building up steadily. This has resulted in a buoyant retail leasing market for the smaller properties in good locations," added Mr Que'net.

The main reason for the influx to the Western Cape is the belief that there is less violence here and a better quality of life.

"In Cape Town the best positions are being snapped up," says Mr Quene'net, "it is creating a shortage of good locations".

Favourite "buys" are franchise operations like Juicy Lucy, Milky Lane, and Spur, while many investors are going into fast food operations like coffee shops, and sandwich bars.

Demand for good retail locations is centred on Cape Town CBD, the Waterfront, Claremont, Tyger Valley and Mitchells Plain's Town Centre, as well as the shopping centres at Kenilworth and Wynberg.

Mr John Laws, the newly appointed regional mamager for Anglo American Property Services in Cape Town says that while the larger businesses with factories and head offices are staying put in Johannesburg, "the more mobile businessmen are coming to the Cape".

"We have seen a lot of demand for people selling, say restaurants, or a small retail chain in Johannesburg, then coming down here and buying the same sort of business."

But, he says, the major business centre of the country is Johannesburg and "for that reason alone, most of the big companies will keep their head offices in the Transvaal."

The main demand for good locations is from 50 square metre properties up to 500 square metres, and though rentals have declined by about 15 per cent over the last two years, the current demand for good leases could stabilise this decline.

A more cautious view was expressed by Philip Upton, a director of the Permanent Trust Association, who felt that retailers were experiencing major problems such as spiralling costs, increased pilferage and lower turnovers.

"The Cape Town CBD is a fast changing place. We lost Stuttaford's a couple of years ago and more recently Garlicks. When two major department stores like that move out, it is because the centre of Cape Town is not proving a very popular shopping centre."

Although the Permanent Trust Association has not experienced the demand for small and medium sized shops in good locations felt by some agents, investors from Johannesburg and Durban had been investing sizeable funds into freehold investment properties, of which there is now a shortage.

"I think this is the area where we have felt money coming in from outside the Western Cape," he added.

Retail orders go electronic

BDAY 15/3/93

(30) KELVIN BROWN

SHOPRITE/Checkers has become the first major retailer to implement electronic ordering throughout its supply chain.

The system, more commonly known as electronic data interchange (EDI), enables orders to be executed quickly and accurately, reducing the time between when the order is placed, the goods received and payment.

Shoprite opted for TradaNet, FNB subsidiary FirstNet's version of EDI, after it was successfully tested with 11 suppliers, said FirstNet marketing and sales manager Derrick Bennett.

He said when it had come to introducing new technology in the past, SA food retailers had focused on decreasing the time it took customers to move through pay points but technology which could improve the movement of goods between the supplier and the retailer had been neglected.

As the recession deepened, local retailers could no longer afford to have too much money tied up in stock.

FirstNet and Shoprite/Checkers had organised a series of seminars to promote the system to other retailers.

Liquidations? You ain't seen nothing yet

CT 15/3/93 (30)

From MARCIA KLEIN

JOHANNESBURG. — The number of liquidations of companies and close corporations was likely to peak during 1993 as more and more companies found it impossible to continue trading through the prolonged recession.

Various credit rating experts interviewed at the weekend said medium- to large-sized businesses, including some listed companies, are at risk of liquidation during the coming year.

They said the relationship between company failures and interest rates seemed to indicate that the level of liquidations would begin to come down towards the end of the year as interest rates continued their downward trend.

But Kreditinform MD Ivor Jones said what was of more concern was that larger-sized companies were showing more risk of failure. This meant that even if the actual number of liquidated companies declined, the effect of the liquidations on the economy would be more severe than in previous years.

He said the percentage of JSE-listed companies which Kreditinform rated as at risk had increased to 10% in 1991 from 7% in 1989.

Recent Central Statistical Service figures showed 2 408 companies and close corporations were finally liquidated in 1992, an increase of 28% over 1991. In January, 218 companies and close corporations were finally liquidated, an increase of 28% over 1991. This level of liquidations was expected to climb during 1993.

Figures also showed that 23,7% more insolvencies of private persons, individuals and partnerships were recorded in 1992 than in 1991.

A total of 5 018 insolvencies represented a 23,7% increase over the previous year.

The average of 418 insolvencies a month was 16,4% higher than the previous highest average recorded, which was 359 in 1986.

Garth Foot, manager of the insolvency division of Syfrets Transvaal, said statistically insolvencies followed a seven-year cycle. In addition, the peak in insolvencies traditionally followed two years after a peak in interest rates. Statistically, 1993 would be a year in which insolvencies and liquidations peaked.

Foot said the cause of most insolvencies was inept management.

US franchises targeting SA blacks

SOWN 16/3/93

(30)

LINDA ENSOR

CAPE TOWN — A "second wave" of US franchises coming into SA was being aimed at black businessmen, Price Waterhouse world managing partner Howard Hughes said yesterday.

"While American franchises such as Pizza Hut and Kentucky Fried Chicken have been in SA for many years, this second wave of franchises seems tailor-made for black businesses, particularly in light of the fact that it is supported by USAid, the world's largest bilateral aid agency."

Hughes said many aid organisations were waiting in the wings for a multiracial government to be installed. The EC was also poised to provide large amounts of state aid and private sector investment.

"Some $89m in EC aid is expected to be available this year for the 'positive measures programme' for resettlement of refugees and rehabilitation of health and education programmes."

But Hughes warned that foreign business leaders were "unfavourably impressed" by what they perceived as a reluctance on the part of South Africans to invest heavily in their own country.

"Perhaps this is the time for local business people to send a strong signal of confidence to their counterparts in other countries by becoming more visible as investors in an evolving SA."

SA wholesale trade slips into decline

CT 16/3/93 (30)

PRETORIA. — Total wholesale trade sales — excluding diamonds — for December amounted to R11 646,0m, 2% lower than the expected R11 187,4m, Central Statistical Services said yesterday.

Expected wholesale trade sales, excluding diamonds, for January amounted to R10 815,3m and showed a decrease of 1,4% compared to the final data for December after seasonal adjustment.

Total wholesale trade sales, excluding diamonds, for December reflected an increase of 0,6% compared with November after seasonal adjustment.

The relatively largest increases in sales occurred at wholesalers in textiles, clothing and footwear (plus 11%) and wholesalers in furniture and household requisites (plus 10,7%).

Decreases in sales occurred at wholesalers in machinery and equipment (minus 9,5%) and wholesalers in office and shop equipment, books and stationery (minus 8,2%).

Total wholesale trade sales, excluding diamonds, for 1992 showed an increase of 10,4% compared with the previous year.

This represents a decrease of 0,6% in real terms, CSS said. — Sapa

Star 17/3/93 (30)

Benetton in major expansion

By Stephen Cranston

The Italian clothing chain Benetton plans to increase its branch network from 40 to 100 by the end of 1994 with a turnover of more than R100 million, says SA licence-holder Bruno Iaconi.

Benetton plans to turn Iaconi's Lupo International factory in East London into its manufacturing base for sub-Saharan Africa, producing half of its needs for SA branches within two years.

Benetton opened a new store in the Smal Street Mall in Johannesburg CBD last week, and next month opens the first of its megastores, a 200 square metre shop in the old Surtee's shop in the Carlton Centre. The Killarney Mall branch will be doubled in size within a few weeks.

Iaconi says eight stores have been closed, which were not big enough or were not in the right position to benefit from customer traffic.

The product range will be updated and the shops will not just carry the previous year's range.

Prices have been reduced, even though 80 percent is imported at tariffs of 100 percent or more. An embroidered shirt, for example, has been reduced from R220 to R170.

Benetton originally focused primarily on the white market, but has found the main thrust of interest from black customers, who appreciate the quality of its natural fibres.

Benetton positions itself as the affordable chain for everybody and has a branch in Soweto.

The chain has 7 000 shops in 100 different countries. It has a range of more than 2 000 items, each available in 30 to 40 colours.

Star 17/3/93

Solid earnings rise predicted for Pepkor

(30)

By Stephen Cranston

A greatly improved performance from Tradegro and the additional interest from a R262 million rights issue will push up Pepkor's earnings by 15 or 16 percent to about R114 million in the year to February, analysts predict.

Frankel Pollak Vinderine retail analyst Egon Trampitsch says the contribution from Tradegro will be R23 million greater as Checkers has moved into profit, and after tax the additional interest from the rights issue will add R7 million to the bottom line.

Tradegro is still a long way from its goal of a two percent operating margin — it might come in at less than one percent — but it is gaining market share and is unlikely to need to pay tax for at least three years as it has an assessed loss of R160 million.

Trampitsch says the contribution from other operations will be R10 million lower.

Pep Stores is suffering from unemployment and lower disposable income at the bottom end of the market.

At best it will make an unchanged contribution and at worst report an earnings decline of about five percent.

With more than 1 000 outlets and a slowdown in the opening programme for new stores, there will be little earnings boost from new floorspace in the year.

If its earnings are unchanged, Pep Stores will report a dismal 7,5 percent compound earnings growth over four years, which implies that the present price:earnings ratio of 23 is over-demanding.

Pepkor, of which Christo Wiese is group chairman, also controls Smart Centre, Cashbuild, Ackermans and Tradegro, deserves its 28 price:earnings ratio rather more as it includes a number of recovery opportunities.

Ackermans, which has spent the year upgrading its 124 outlets to address the B and top end of the C income groups, will incur a loss, Trampitsch predicts.

George Huysamer's Helen van den Bergh says Ackermans is moving into a very competitive segment of the market, which is occupied by Jet and the credit chains Topics and Pages.

It is also the market segment which was dominated until recently by Woolworths, which is anxious to regain its position.

She nevertheless believes Ackermans will make a modest profit.

Smart Centre, the credit chain, has been losing market share to its strongest competitor, Sales House, which has adopted a more aggressive marketing position.

Smart Centre's merchandise selection needs to be reviewed, Van den Bergh says.

The overseas operation, a 31-store chain in Scotland called Your More Store, is also expected to show a loss.

Although it is trading well at store level an infrastructure has been put in place, which is designed to support a much larger chain and accordingly has higher costs.

Christo Wiese, chairman of the Pepkor group

Commercial & Industrial Properties

A Star survey

The first quarter of 1993 has seen a surge in rental inquiries for commercial and industrial property, particularly on the Witwatersrand. Industry leaders say our progress out of property's current downturn could be faster than in previous cycles. SUSAN RAMWELL reports.

Hyde Park Lane almost 40 pc let

Southern Life Properties' low rise collection of six office buildings forming Hyde Park Lane is almost 40 percent let — four leases were signed in a ten-day period this month and a further 1 500 sq m was under negotiation at the time of going to press.

The development, set in an attractively landscaped complex in a prime location in Hyde Park, "is one of the only available office developments with a Hyde Park address", says Tony Moore, regional manager, Transvaal, of Southern Life Properties.

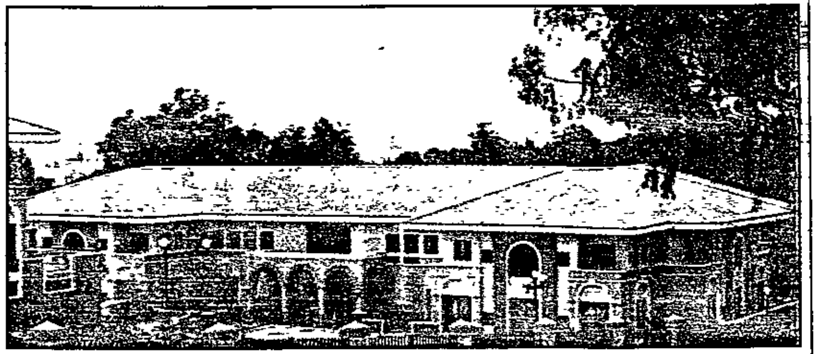
The present tenants are Standard Bank, Sagentra, Prime Cut and Grinaker, and Southern Life Properties is also relocating its corporate headquarters to one of the six individual buildings.

Southern Life leasing manager, Kendal Probert, said the advantages of Hyde Park Lane included easy access, a good position relative to the prime business nodes of Rosebank, Illovo, Sandton and Randburg, and most importantly, that it allows for individual tenants to have their own building.

One of the six has been designed to cater for smaller tenants of 100 sq m and upwards, and a further two buildings that will house tenants in the 500 sq m to 1 200 sq m range.

The buildings are named after the gates at Hyde Lane in London — Victoria, Lancaster, Grosvener, Edinburgh and Rutlar-l.

The total office space created is 12 626 sq m with a generous parking ratio of four bays per 100 sq m.



Prime property . . . Southern Life Properties' Hyde Park Lane "is one of the only available office developments with a Hyde Park address", says Tony Moore, regional manager, Transvaal, of Southern Life Properties.

RENTALS HARDENING and 'time is running out for tenants looking for bargains'

Market will turn within six months – brokers

STAR 17/3/93.

(30)

■ Upswing ahead: Most leading brokers in Johannesburg have reported a surge in demand for office and industrial property since January.

Improved inquiry levels and take-up of space for both office and industrial property on the Witwatersrand began in January and has continued throughout the first quarter, report the city's leading brokers.

J H Isaacs director of office leasing and sales Steven Kesler reports an unexpected "surge in demand", particularly in decentralised office nodes in northern Johannesburg that was beginning to fill pockets of available space and "shift the market away from the tenant and in favour of the landlord".

Kesler says there has been a discernable firming of rentals in the north of about 5 percent in the past two months.

Tony Moore, regional manager (southern Transvaal) Southern Life Properties, says: "It's not all gloom. It's harder to get deals but they are there. We noted a big upswing in tenant inquiries and leases signed from January, particularly in industrial space. We're hardening up on tenant concessions. Generally, it's wise to stick to shorter leases ahead of an imminent upturn."

JHI industrial leasing and sales director, Wayne Wright, reports a "phenomenal increase in activity" for the first quarter. With reference to his own portfolio, Wright said there had been demand for 130 000 sq m of industrial space since December 1992, compared with 87 000 sq m for the comparable period the year before — an increase of 60 percent.

Although this does reflect relocation demand as tenants move to take advantage of keener rentals, it does also reflect extended activity in the industrial owner occupier market, says Wright.

"Lower interest rates and the promise of further cuts in prime have made it more viable to buy property. Expectations of reduced inflation, improved export potential and better prospects for a political settlement are also fuelling some demand for more space by industrialists . . ."

No broker is denying that vacancy levels are high, rentals are soft, tenants are driving hard bargains, and the market will remain a tough one for landlords at least until the year-end and possibly until mid-1994.

The point they are making, however, is that the situation shows marked improvement in the past three months. It is a sign that four years of one of the worst property down cycles is bottoming out without having reached low rates of investment return comparable with those in Britain and the United States where capitalisation rates (net annual rental divided by initial investment in the building) have reached as much as 25 percent and in some inner city areas, even 50 percent.

Since capital values on SA's buildings have come down in the recession at a similar rate to rentals, capitalisation rates have remained relatively steady, peaking at about 10,5 percent for offices and 11 percent for industrial space by end 1992, as measured by Real Estate Surveys.

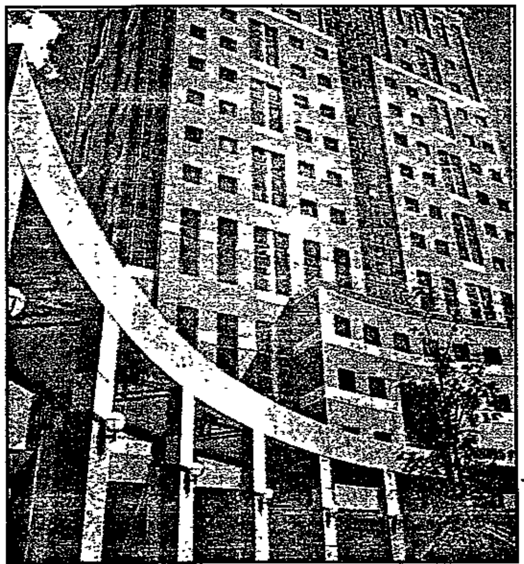
The lowest rate reported was 9,5 percent for Witwatersrand regional shopping centres.

Tony Moore says: "Time is running out for the tenant who is looking for a bargain deal. Rentals are hardening."

Taking a cross-section of views, landlords believe the turning point in the current tenant's market could be within six months, depending on the timing of an election in SA and the success of multiparty talks.

While the largest proportion of vacancies are in B and C grade properties, there is still enough of a vacancy factor in A grade buildings to offer tenants excellent opportunities.

RMBT's Stan Arenson believes tenants can take best advantage of the current market by taking long-term business requirements, rather than price, into account in choosing a location.



Landmark with a difference . . . Braamfontein's Jorissen Place, with its spacious plazza, archways and trees, is drawing a lot of attention. Liberty Life has relocated its head office to this building.

Old and new . . . Old Mutual Properties' latest inner-city development, Surrey House, has just been completed and comprises eight storeys, 9 300 sq m of office space.

Ellerines notches 60% earnings rise

B/DAY 17/3/93 (30)

MARCIA KLEIN

FURNITURE retailer Ellerine Holdings notched up a 60% earnings rise to 408c (255c) a share in the six months to end-February on the back of increased market share and off a low base of the previous year.

The well rated group also announced a proposed share split on a 10 for one basis with effect from April 26 in order to make the share more tradeable.

Yesterday that share was bid at its peak of R82, after touching a low of R45 in September last year.

Chairman and MD Eric Ellerine said yesterday the results should be viewed against the low base of the previous year, when industrial action affected the group's earnings pattern. Ellerine's earnings had dropped by 32% at end-February 1992, and its full year earnings were 9% lower after an improved performance in the second half.

Recovery

The group had now recovered, Ellerine said, and had returned to a more normal trading pattern.

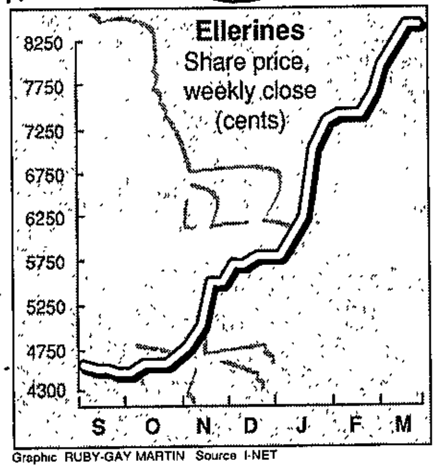
This recovery, together with a further increase in market share and the opening of 13 additional stores, resulted in a 45% increase in sales to R409,4m from R282,4m.

Operating profit increased by 59,7% to R57,2m from R35,8m. The interest bill rose significantly to R2,2m from R762 000 previously, resulting in a 56,8% rise in pre-tax profit to R55m (R35,1m).

After 53,5% higher current and deferred tax of R25,3m and minorities, attributable earnings were 60% higher at R29,3m from R18,3m previously.

A 60% higher interim dividend of 136c (85c) was declared, with cover maintained at three times.

Ellerine said the group had a good Christmas trading period, and had taken a far larger slice of the market.



Graphic RUBY-GAY MARTIN Source I-NET

The balance sheet was clean, reserves were in place, and the group had continued to do things the way it had for over 40 years, he said.

About seven new stores would be opened in the current financial year.

Ellerine said the group was confident about its business, which was in the right sector of the economy. However, the level of violence was perturbing.

The group was reasonably optimistic about the second half, and expected earnings for the second six months to be similar to those of the first.

Shareholder confidence in Ellerine and improved furniture retail sales recently saw the furniture index rise more than 50% since September.

At that time, the furniture index was at one of its lowest levels in a decade relative to the industrial index. But since October, the index has significantly outperformed the industrial index.

The recent climb the index was partly attributable to a recovery in furniture sales in the last quarter of 1992.

In the 12 months to end-September, sales growth was 4,1% in nominal terms.

Star 17/3/93

ANC wants to start club to brief business community

By Magnus Heystek

The ANC has commissioned the stockbroking firm Frankel Pollak Vinderine Inc to form an "executive club" to help promote closer ties between the organisation and the financial community.

This club intends holding six confidential in-depth briefings a year on the ANC's viewpoint on politics and other topical issues.

It will cost members R2 200 a year. This fee will cover the cost of food and drinks at the meetings.

According to a letter sent to top businessmen by Sydney Frankel, chief executive officer Frankel Pollak Vinderine, the club will need a minimum of 100 members to succeed.

However, the letter adds that the maximum number of members will be restricted to preserve exclusivity and ensure confidences.

Contacted by The Star last night, ANC spokesman Carl Niehaus could not confirm that such a letter had been sent to businessmen. He said there had been discussion within the organisation on the need to brief businessmen.

Niehaus said such an exercise was "perfectly legitimate" as businessmen had in the past attended ANC-organised banquets where they heard ANC speakers explaining policy.

Star 17/3/93

Ellerine claws back on lost sales

By Stephen Cranston

(26)

Ellerine Holdings has more than clawed back on the sales it lost in the first half of its last financial year, when it was subject to industrial action.

Turnover rose 45 percent in the six months to February to R409,4 million, compared with the first half of last year, and was 31,5 percent higher than in the six months to February 1990, a period which was not disrupted by strikes.

Operating profit was up by 59,7 percent to R57,2 million — a 10,9 percent increase on the six months to February 1990.

Earnings per share increased by 60 percent to 408c and the dividend per share by the same percentage to 136c.

Dividend cover has been maintained at three times.

Interest paid rose sharply from R762 000 to R2,25 million as Ellerine's gearing has risen to 28 percent.

Chairman Eric Ellerine says the trading environment continues to be depressed, but that the group increased market share through aggressive marketing in its target D and C income groups, and by the opening of a further 13 stores.

Provided trading conditions do not worsen, earnings in the second half are expected to be similar to those of the first half.

Ellerine plans to split its shares on a 10-for-1 basis in order to improve tradeability.

R112-million boost for small business

SMALL business development programmes are to receive a R112,6 boost. 30 ARGT 18/3/93

About R75 million would go to the Small Business Development Corporation and the Development Bank of South Africa would get about R30 million.

Small business played an important role in the envisaged strategy to promote higher growth by means of the structural transformation of the economy.

The small business sector in many cases provided the only refuge for a growing portion of the labour force who were caught up in the long recession and large scale urbanisation.

Small businesses contributed an estimated 26 percent to the GDP and employed about 38 percent of the labour force.

South Africa was among the countries which recognised the need to encourage small business development through special measures and programmes.

Altogether R112,6 million had been set aside for this purpose. It comprised R97,6 million provided for in the printed estimate, to be increased by R15 million in the supplementary budget. This was a R94 million increase on last year's provision. — Sapa.

Small business to get a boost

CT 18/3/93 (30)

Political Staff

THE government has provided R112,6 million in this year's Budget to promote the development of small businesses.

This is an increase of R94m on last year.

In the Budget, Finance Minister Mr Derek Keys notes that as a result of the long recession and large-scale urbanisation, participation as entrepreneurs in the informal sector, is often the only "refuge" available to a growing part of the labour force.

'Hamstrung'

He said that it was estimated that small- and medium-size enterprises contributed as much as 26% of Gross Domestic Product (GDP), and provided work for 38% of the labour force.

Mr Keys said in South Africa small businesses were hamstrung by:

- Excessive control measures;
- Discriminatory business pratices;
- Inadequate support services;
- Insufficient access to financing services and markets, and
- Infrastructure, services and training.

The minister said it had been decided to provide a more comprehensive package for small business and a special unit had been established which would play a "pro-active and co-ordinating role".

A "pioneer" fund would be set up with a R56m allocation. The aim was to maintain this fund.

If the private sector increased its contribution to the fund, the government would consider raising its contribution.

Mr Keys said discussions were already under way with the National Economic Forum on a way in which it could provide input on how the funds should be allocqated.

TBVC

He said a further R19m would be allocated to the existing credit guarantee fund which would be expanded to cover the homelands and TBVC states.

The minister said about R30m would be given to the Development Bank to aid small businesses in the homelands and for training.

Two-week boom expected

BIDAY 19/3/93. (30)

KELVIN BROWN
and MARCIA KLEIN

RETAILERS expect a mini-Christmas before April 7 when the VAT rate increases to 14%.

But major retailers warned yesterday the boom would be short-lived, as sales would probably slip to lower than budgeted levels following the introduction of the new VAT rate.

They said sales across the board — from food and furniture to white goods, clothing and motor cars — would increase.

Anyone thinking of buying a high ticket item over the next few months would try to conclude the deal before 14% VAT.

The effective 40% rise in VAT was substantial. This, coupled with higher petrol prices — which would increase distribution costs — did not bode well for retail sales in the medium term as retailers would find it difficult to keep prices down.

The additional burden of increased excise duties would affect retail sales of drinks and cigarettes.

Generally, sales had been on an upward trend over the past few months compared with the previous year.

With the decline in inflation, there had been some real growth in some retail sectors. If this trend continued, the increased VAT burden on sales could be alleviated to some extent, retailers said.

Although the Budget could be viewed as tough on consumers, elements of the Budget aimed at job creation and economic growth could boost the retail industry.

Sales of big ticket items were expected to increase over the next two weeks due to the rise in VAT, OK marketing director Arthur Solomon said.

Anticipation of a rise in the VAT rate had resulted in a steady growth in retail sales since the beginning of March. There had been a definite rise in sales of big ticket items over this period, Solomon said.

In comparison with Febuary, retail sales were up by 10% in March.

Now that the consumer knew by how much VAT would increase, this trend should accelerate over the next two weeks.

Solomon said prices of big ticket items would be further affected by the recent depreciation of the rand. Most components for appliances, TVs and hi-fi systems were imported as were all VCRs and top-of-the-range appliances and electronic goods.

An overall price increase of 10% to 15,5% could be expected on these items.

Pick n Pay was expecting "quite a surge" in sales accross the board, outgoing MD Hugh Herman said. A similar situation had occured when the GST rate was increased.

Sales of big ticket items and groceries were expected to show the largest increases.

ST 19/3/93. (30)

Retail will feel the pinch

Business Editor

THIS week's budget will mean another year of slack conditions in the retail sector, Old Mutual chief economist Dave Mohr said yesterday.

"We are going to get an artificial mini-boom until April 7, as people try to beat the rise in VAT.

"Then things will be flat and some things may disappear off the shelves completely."

Abri Meiring, Old Mutual's legal manager, said that cutting the top company tax rate to 40% and introducing the new dual tax to discourage dividends had been "a stroke of genius."

...e strategy

285

Now ITC is to be sold — there are still some loose ends to tie up, but it's almost certain the deal will go through — Vosloo says the decks are cleared for M-Net to focus on cellular telephony. "Much depends on whether we get an appropriate licence," he adds. Government announced last month two licences would be granted, one expected to go to Telkom.

Whether the licence (if granted) is "appropriate" will largely determine costs. But the consortium, so far comprising M-Net and Cable & Wireless Plc, could be looking at capital costs of R400m over the next two years. M-Net's share could be as high as R125m, though Pacak says funding mechanisms are still to be determined.

This raises the likelihood of another rights issue. M-Net funded its initial R278m Film-Net investment largely through a rights issue in January 1992.

Pacak says M-Net won't get involved in making cellular telephones — rather the group sees its contribution coming from its marketing and customer service strengths. Of course, M-Net's 800 000-strong client base will be a valuable asset.

All of which could explain the strong performance of M-Net's share price since late last year. It has appreciated by 44% since the end of November, the biggest boost coming on government's announcement early in February that licences were to be granted. It seems some investors expect M-Net will be a recipient.

Shaun Harris

ELLERINE FM 19/3/93

Second wind

30

What is it that Eric Ellerine has that every other furniture magnate wants? Well, the last half-year results for Ellerine Holdings for a start. On the face of it, they are so good as to be almost unbelievable.

Unfortunately, comparisons sometimes have little purpose other than to highlight the unusual. And that's what has happened this time. The first six months of 1992's results were horrendous because Ellerine was hit by a series of apparently interminable strikes, picketing and comprehensive, union co-ordinated, action. EPS fell 32% to 255c and the dividend declined 32% to 85c.

It is against that unflattering result that Ellerine's latest result must be examined. Turnover to February has risen to R409m, but that's only 31% better than in 1991. Operating profit has risen to R57m but that, in turn, implies an operating margin of only 13,9% — 1991's margin was 16,6%.

Still, it would be churlish to derogate from

FM 19/3/93 30

what has been a good performance by any standard in this economic climate. Ellerine is a very good company — one senior analyst says it's the best by far in its sector. And it has managed, significantly, to finance a book without recourse to enormous borrowings.

At R84, its price probably reflects anticipation of the latest results and tradeability is limited. But it remains a stock worth tucking away.

David Gleason

OZZ/UNIHOLD FM 19/3/93

Hammering out a deal?

The cautionary issued by investment company Ozz two weeks ago took the market by surprise. The company's year-end is March and a conjuring act by master wizard and Ozz CE Gary Zulberg wasn't expected ahead of the results.

Nor is Zulberg talking. Pressed for an indication of what's in the wind, Zulberg was first reported to be unavailable and then declined to comment.

Potential synergies

However, it's been established that Ozz is negotiating with Unihold, which itself had issued a cautionary earlier. At first sight, it's difficult to see potential synergies between the two companies, until foundry activities are examined more closely. A Unihold spokesman declined to respond to questions.

Year-end results for 1992 showed most of Ozz's operating income was from its core businesses. Most of that, in turn, derived from the engineering companies, which focus particularly on supplying the mining industry. At the 1993 halfway stage, Zulberg told the *FM* (*Fox* December 18) he was especially pleased with the performance of the engineering companies which, he said, were increasing exports, primarily in finished manganese steels.

Last year, Unihold went on a buying spree which included the purchase of Buffcor, Dimbaza foundry from Lonrho, and the merger of lighting company Zumtobel with Thorn Lighting. While Unihold's latest results haven't been released, there is speculation that Unihold's acquisition campaign has left it cash-strapped. Analysts point out Unihold found it necessary to recruit Richard du Plessis from Venter Trailers to bolster the management team.

A broker who declines to be identified says the deal between Ozz and Unihold relates to the outright purchase by Ozz of all Unihold's foundry interests. The purchase price will be settled, apparently, partly in cash and partly in shares. That will ease Unihold's short-

NT cont

BUSINESS

More spark for SA retailers

(30)

ARG 20/3/93

ALIDE DASNOIS
Business Staff

THE future of retailing is in electronic trading, British food processing executive Mr Anthony Slipper said during a visit to Cape Town this week.

He was in South Africa to discuss electronic trading with suppliers of the Shoprite-Checkers group, which is introducing the system through Johannesburg-based company FirstNet.

Mr Slipper is group systems manager for Northern Foods, a group of 50 food manufacturing companies with an annual turnover of more than £2 billion (about R9 billion).

The group's main business is own-label foods for leading British retailers such as Marks & Spencer, Sainsbury and Tesco.

Electronic trading — also called electronic data interchange or EDI — enables manufacturers and retailers to communicate directly through a central computerised "post office". Retailers linked to the system record their orders electronically and their messages are picked up by manufacturers when they open their "post boxes".

Mr Slipper said the system revolutionised the relationship between suppliers and retailers.

The electronic processing of orders, invoices, deliveries and credit sped up the transfer of goods from suppliers to shops.

"Orders come in very quickly and are sent automatically to the production system. The goods can be on the shelves within 24 hours."

The system does away with the need for stocks, as suppliers react immediately to specific demands.

Though it improves productivity, with potential price spin-offs for consumers, there are fears that the system can tie retailers to particular suppliers, reducing competition? Mr Slipper denied this.

"Retailers may end up with smaller supplier bases but they benefit from closer relations with each supplier, in the development of new products, for instance," he said.

"And the fact that the system is standardised means that any retailer can switch suppliers at any time."

Shoprite-Checkers started pilot schemes last year, linking outlets to suppliers through the South African equivalent of TradaNet, called VAN (value added network). The group says it realised big productivity gains and is planning full implementation this year.

Big Four rule SA business, okay!

ARG 20/3/93 (30)

MICHAEL CHESTER

NEW profiles of the titans of high finance show that as few as four mega-empires in the South African business world still command ultimate control over no less than 78 percent of the R500 billion economic clout of the Johannesburg Stock Exchange.

The massive and complex network of control held by the quartet of giant conglomerates is laid out in detail in the new 1993 edition of the "Who Owns Whom" annual analysis of investment patterns.

Author Robin McGregor explains that assessment of control is based on the size of share portfolios in individual companies — not necessarily complete ownership, but investment stakes big enough to influence any final word about corporate affairs.

McGregor sets out every year to track down not only the majority stakeholders in each of the hundreds of listed companies but also precisely who holds control of them when it comes to boardroom decisions.

A 1993 count shows the four titans of the South Africa business world between them hold the reins on no less than 78,1 percent of the huge market capitalisation total — or R391 billion.

According to the survey, the Anglo American Corporation, the vast mining and industrial conglomerate created by the Oppenheimers, still commands the largest empire.

Sanlam, whose interests spread from insurance to the multiple tentacles of Gencor, is placed at No 2 with 15,6 percent.

Rembrandt, the tobacco and liquor multinational now credited with ultimate control of both Amalgamated Banks of South Africa (Absa) and Goldfields SA, comes in third with 14,6 percent.

SA Mutual — running neck-to-neck with Sanlam in the insurance sector but also now counting the Barlow Rand industrial giant in its fold — has increased its share of control to 14,2 percent.

McGregor extends the list to discover that the Top Ten companies in the share portfolio league now control as much as 96,2 percent of total JSE market capitalisation.

The batting order brings in companies under the control of their own directors, the Liberty group under Donald Gordon, Anglovaal, corporations under State control, Pepkor, Ventron and the FS Group.

The exhaustive analysis goes as far as probing the ownership of new fewer than 250 00 companies either with their own JSE listing or else the subsidiaries or associates of bigger corporations.

That goes hand in hand with a two-year record of all shareholders with stakes of more than 1 percent in listed ordinary shares.

Nor does McGregor end at that. He also peels away the layers of mystery about the silent movement of shares into a proliferation of ubiquitous nominee companies that normally draw a curtain around themselves.

He rounds off the exercise with an examination of the number of multi-directorships held by several of the high flyers in the business world.

The new 1 085-page "Who Owns Whom", published by Juta, is priced at R349.

'High time to revamp CBD'

ALIDE DASNOIS
Business Staff

CAPE TOWN'S central business district will have to be revamped if it is to benefit from any retail upswing, says Mr Philip Upton of Permanent Trust.

Though some efforts have been made to make the city centre more attractive, the old problems of parking, security and litter are still keeping customers away, he says.

"People prefer to shop in decentralised shopping areas like the Waterfront, Cavendish Square or Tyger Valley and rentals are likely to reflect this trend," he says.

The recently published Rode Retail Report estimates average rentals in Adderley Street at R53,75 a square metre between Wale and Longmarket streets, and R74,17 between Longmarket and Riebeeck streets.

But rentals in other parts of the city centre are often much lower: R30 a square metre in Loop Street, ~~for~~ instance, or R40 in Plein Street. This compares with rentals of around R38 a square metre on Sea Point's Main Road, R45 on Rondebosch's Main Road and R24 to R28 along Voortrekker Road in Bellville.

Shopping centre rentals are generally higher, according to the Rode Report.

Fifty square metres in the Golden Acre concourse goes for around R81 a square metre, on the ground floor of Cavendish Square for R82,50, in the Adelphi Centre in Sea Point for R50,83 and in Tyger Valley for R65.

The report's author, Mr Erwin Rode, said these figures are estimates. But Mr Upton, who also worked on the report, says the figures are "very close" to rents paid.

Though he says it is hard to predict trends in retail rentals in the next few months, downward pressure on rents will continue until the economic upswing is well under way.

Mr Upton criticises the Cape Town City Council, which, he says, does not take enough pride in the CBD.

Though he agrees that the CBD's natural customer base is the people who work in it, Mr Upton is sceptical about extending shopping hours to allow office workers to shop on their way home.

"I'm not sure it would work," he says. "In European countries where there is a siesta hour, shops stay open late at night. But we don't have this sort of tradition here."

He welcomes suggestions to move the taxi ranks to the top of the station — "there's no reason why the taxis should clog one of the main entries to the city". Flea market stalls, he thinks, should be allowed to trade in so-called "dead" areas, such as Thibault Square or parts of Longmarket Street, rather than in St George's Mall.

Committed to business for all

SOUTH 20/3-24/3/93 . (30)

THE Foundation for African Business and Consumer Services (FABCOS) is a non-racial business and consumer body committed to assisting disadvantaged communities in southern African.

It mobilises key informal market segments under one banner, to help each one become a major participating force in the South African economy.

The seventies saw an important milestone on the road to altering the history of South Africa — for disadvantaged people in particular. Black South Africans decided they had had enough of the injustices of political disenfranchisement, economic exploitation and social dehumanisation — the time for positive action towards liberation had finally come.

In response, 21 taxi operators came together to establish the Southern African Black Taxi Association (Sabta).

The success of Sabta was a model for business organisations within the black community and when the idea of "an association of associations" was first put forward in 1988, its model was adopted and various economic and consumer sectors established FABCOS.

Today FABCOS has 12 affiliates representing more than a million members nationwide. Affiliated organisations include the African Farmers Association, the Black Association of Travel Agents, the National Stokvels Association of South Africa, the South African Taverners Association and Sabta.

FABCOS consists of two bodies: the policy body comprising affiliated member associations assisted by two advisory councils, and the marketing arm, FABCOS Marketing (Fabmark).

FABCOS policy making is directed by an executive committee of elected office bearers.

The executive committee translates the needs and aspirations of the affiliated member organisations into positive action plans, either through the policy body itself or by instructions to Fabmark.

The committee is assisted by the Corporate Advisory Council and the Community Advisory Forum in its dealings with formal business and the community.

Made up of the major sponsors, the Corporate Advisory Council provides checks and balances and business orientated direction to the Executive.

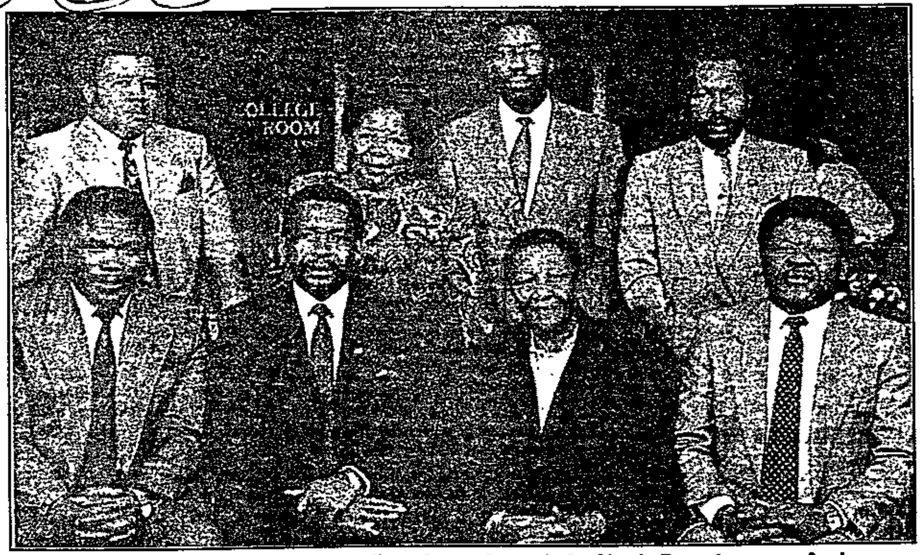
Everybody's BUSINESS

The Community Advisory Forum is chaired by Mr Aggrey Klaaste, editor of the Sowetan and provides a two-way communication conduit between FABCOS and the community that it serves.

Fabmark is a private company, with FABCOS holding 50 percent of the equity and the balance being held by the directorate and staff of Fabmark. It operates in terms of a long-term mandate granted by FABCOS.

Its major function is to provide nationwide infrastructure, support and service to the organisation.

To provide specialised marketing support to the marketing-orientated affiliates, a number of specialised marketing satellites have been established, such as Aba Marketing, Afsure, Batasa Marketing.



FABCOS EXECUTIVE: From left, standing: James Lenyehelo, Nonia Ramphomane, Andrew Lukhele, Abner Tambo. Sitting: Sam Tuntubele, James Ngcoya, Ellen Khuzwayo, Joas Mogale

FABCOS' objectives are:

- To register a central trust fund for all member associations and appoint independent trustees to administer the trust;
- To actively seek development funding both in South Africa and abroad and to administer the funds in the best interests of the member associations;
- To promote mutual support and aid among associations and business to create economic empowerment that will extend to a commitment to unite behind each other's projects to ensure success;
- To promote training and development for member associations;
- To act as a lobby to extend credit and finance facilities to member associations and reduce the cost of products used by members;
- To encourage members of affiliated associations to participate in the mainstream economy;
- To channel the cash-buying power of the consumer in a way that creates credit opportunities;
- To negotiate with the formal sector on joint ventures,
- To initiate, promote or oppose legislation which affects member associations;
- To secure uniformity, simplicity and efficiency of member associations' procedures and the administration of justice in all matters connected with the welfare of member organisations and the public, and the maintenance of high standards of the member associations;
- To oppose matters which impinge or encroach upon rights and privileges of member associations;
- In the interest of its member associations, to take up membership or co-operate with any other body, inside or outside Southern Africa and internationally;
- To publish a Code of Ethics for all member associations.

FABCOS Western Cape was launched in 1989 and is headed by Mr Sam Tuntubele, who is also first vice-president of FABCOS National. Their offices are at 7th Floor, 30 Waterkant Street, Cape Town. Tel: 21 5032 Fax: 21 5039. More on FABCOS Western Cape next month

ST Times (Buss)
21/3/93.

(30)

There's still lots of magic in carpets

By ZILLA EFRAT

A NUMBER of rare Persian carpets are finding their way onto the market because of the recession, presenting some rich pickings for those few cash-flush South Africans.

Raphael Lidchi, owner of Henri Lidchi & Co stores in Johannesburg's Rosebank and Morningside, says that as the tough times bite deeper, people are selling off their good-quality carpets or using them as collateral with banks and other lenders.

He says there has been a chronic shortage of quality pieces in SA for some time. About 80% of the country's good stock has left via emigration, and high duties and a weak rand have limited imports in recent years.

Lidchi advises the public to buy for pleasure and decorative purposes rather than for investment with a view to speculation. Persian carpets are a good long-term store of value and a means of fighting inflation.

Investments

Lidchi says: "There are no guarantees, but we believe that the value of Persian carpets has generally appreciated in the long-term.

"This is because they are harder and more time-consuming to make than other art forms and because good quality old pieces, which are pure in expression, are becoming increasingly rare."

The best investments are usually those carpets at the top end of the range: antiques and good silks, followed by true woollen Persians.

South Africans, however, can also get good value by buying Turkish carpets because they come into the country with a more favourable duty.

In general, Persian carpet prices rose continuously until the Shah of Iran was deposed in 1979.

With the late Ayatolla Khomeini coming to power and the war with Iraq there was a severe devaluation of the Iranian rial — all of which contributed to a temporary worldwide drop in prices.

Prices stabilised, however, by the mid-80s and have increased steadily ever since, although the worldwide recession is currently dampening global demand at the lower end of the market. Lidchi says Persian carpets have always been kept as a form of portable security. In the old days, the wealthy put their dividends from gold shares into carpets.

Many of Zimbabwe's rich brought their carpets after UDI to SA and sold these to start businesses in this country.

Lidchi says the spate of liquidations and "closing down sales" in recent times have given the Persian carpet business worldwide a bad name. The militancy of the revolution in Iran also tarnished its image.

Warning about false sales claims, he says buyers sometimes hear that fewer carpets are being made these days. Indeed, the opposite is true, as many countries in the East now subsidise their carpet industries.

Lidchi advises the public to shop around. "Each carpet is unique. If you do not know what you are doing you can get burnt very badly.

"Many countries, such as Pakistan and India, copy Persian designs. Although the hand work is of a good quality, they are not the real thing and, often, only a good dealer is able to tell the difference."

Quality

He says "Persian" is a colloquial term used to describes most carpets on the market.

A true Persian, however, is one made in Persia before 1927. Any carpet made after that in what later became Iran should be called "Iranians".

Lidchi says the quality of Pakistani, Turkish and Afghan carpets has come up in the world, but they often lack the purity of expression found in Persian carpets.

The condition of an antique carpet may not be so important. If they are rare, they are valuable and become collectors' items, he says.

Kelims, unlike pile carpets, are a flat weave. They are made all over the East and some good quality old ones may be worth a lot of money.

However, Lidchi says Kelims take a longer time to appreciate in value. They are a tribal craft as opposed to the "works of art" of Persian carpets. There is great demand for them as decorative items.

Retail sales look set to plunge further

BIDAY 22/3/93. (30)

GERALD REILLY

PRETORIA — The steadily weakening trend in retail sales continued in the first quarter of the year, according to CSS figures.

They show an expected decrease in real terms of 4,4% to R15,675bn, compared with the last quarter of last year at constant 1990 prices.

Economists said that even without the four percentage point increase in VAT from April 7, the trend would not have slowed. Now it could intensify. VAT, inflation, low salary increases and rising unemployment would probably result in a decrease in disposable incomes.

The CSS said retailers generally were pessimistic about their March results.

One hundred retailers expected total trade sales in March of about R6,866bn — a decline of 2% compared with February, after seasonal adjustments. This represented a decrease in real terms of 4,8%.

Pick 'n Pay chairman Raymond Ackerman said conditions in the retail trade had been tough up to the Budget. "Now they can only get tougher," he said.

There could be a "flash in the pan" buying surge before theVAT rate increased to 14% from April 7. However, after this the trade would probably sink back into the negative mode of past months.

Ackerman said he had been confident the economic turnaround would become visible in July. But with the higher VAT rate, more costly petrol, still rising unemployment and continued inflation, a bottoming-out process could be hoped for only at the end of the year.

COMPANIES

Audiodek returns to winning ways

DUMA GQUBULE

AUDIO importer and distributor Audiodek returned to profitability in the second half of the year ended December 1992, reporting a profit after tax of R442 000 on an increase in turnover to R64,6m.

This was equivalent to earnings of 2,23c a share, sharply lower than the previous year's 6,3c. The payout for the year was slashed to 1c a share from 3c.

Audiodek suffered an interim loss of R844 000 on a 9% drop in turnover to R24,6m. B/DAY 22/3/93.

Audiodek MD Monty Tolkin said the group's second-half profit of R1,3m was partly due to a traditionally stronger trading period in the latter part of the year.

While trading conditions were extremely tight as evidenced by mid-year results, the year-end figures were gratifying considering all adverse factors.

These included the fact that the group's Alpine division, the car sound system supplier, reported substantially lower turnover and profit.

The company provided comparative figures for the nine months to end-December 1991. It recently changed its year-end to December from March to end its year shortly after peak trading time. (30)

Turnover rose to R64,6m, previously R50,3m, but operating profit dropped 35% to R2,3m from R3,5m.

Interest payments rose to R1,3m (R1,1m) and pre-tax profit was down 59% to R988 000 (R2,4m).

Tax, current and deferred, absorbed 55% (48%) and attributable earnings were down by two-thirds to R442 000.

Tolkin said group margins had come under pressure due to a weak rand and escalated overheads which affected the bottom line.

The group's Alpine car sound division had made only a marginal profit. The division had been hit by so-called "grey imports" in common with other major brand leaders. He said the division, a market leader with its prestige brand, would reduce overheads.

Other group products such as portables and music centres had continued to show good growth.

Tolkin said Audiodek would maintain its present momentum, always mindful of the volatile economy.

Operating profits 'likely to fall'

BDAY 23/3/93

TRACY SCHNEIDER

RETAIL companies with high tax rates and dividend cover were likely to suffer less from a fall in operating profits stemming from VAT and petrol price hikes, analysts said yesterday.

An analyst said personal consumption expenditure would be under severe strain, with stores unlikely to recover this loss by pushing up margins. The result would depress operating profits.

"On the flip side, the decrease in company tax will give a positive boost to earnings which will more than offset the change in operating profits."

He said retail companies generally had a higher effective tax rate which meant they would benefit greatly from the drop in company tax to 40%.

The 15% dividend tax would have a smaller impact on companies paying low dividends.

Another analyst said companies were likely to review their dividend rates following the introduction of the dividend tax, since the higher the dividend cover, the less tax paid.

30

He said the result at trading level was likely to be negative, with food retailers suffering less because of zero-rated products.

Shoprite Checkers said it did not foresee a massive rush to stores before the introduction of the 14% VAT rate on April 7. A spokesman said they expected consumers to stock up on groceries, but people did not have enough funds to spend on big ticket items.

Pick 'n Pay improvement forecast

30

SA's biggest food retailer Pick 'n Pay is expected to return to year earnings and dividend growth when it reports 1992 results on Thursday, after stalling in harsh recessionary conditions the previous year, analysts say.

"I expect some growth but nothing wonderful," said stockbrokers Ed Hern, Rudolph's Syd Vianello.

Analysts polled forecast an earnings increase of 8%-13% to 58c-61c a share after the two-for-one share split in the second half to improve marketability, versus a pre-share split 108c in 1991. They expect a year dividend of 31c-33c versus a pre-share-split dividend of 56c a share.

Some analysts did not discount the possibility of Pick 'n Pay declaring a special 25th anniversary dividend of perhaps 25c a share, but said this would fall foul of a new tax on dividend payouts announced last week in the Budget and could influence its decision.

Share earnings slipped 2,5% in 1991 and the year dividend was maintained amid sharply curtailed consumer spending in the country's worst recession in more than 80 years.

Analysts said trading conditions were still tough in 1992 with flat sales performance, but cash flow improvements would come from tighter controls on expenses and shrinkage, and a slow-down in its capital expenditure programme on store automation.

The group also cut back its store expansion programme in 1992 because of the recession.

Pick 'n Pay is expected to announce on Thursday a new MD to replace Hugh Herman who is taking early retirement. — Reuter.

BDay 23/3/93

Price hikes predicted

~~3145~~ ~~3ldes~~ KELVIN BROWN 30

PRICES of big ticket items were expected to increase 10%-15% from April, retailers and manufacturers said yesterday. B/DAY 23/3/93

Although VAT and the petrol price would affect prices, they said the main cause was the depreciation of the rand over the past few months.

Most electronic goods and top of the range appliances sold in SA were imported. Most components for appliances, TVs and hi-fi systems produced locally were also imported.

Since the beginning of the year the rand had depreciated from R3 to the dollar to R3,20.

Leftover stock at old prices would be snapped up as consumers bought ahead of VAT increases, Panasonic MD and Radio and TV Manufacturers' Association chairman Alan Coward said.

He expected prices to rise by at least 10% in April because of the rand's devaluation.

Most imports were paid for in dollars, Philips product manager Collin Ash said. Overseas supply prices had not only been affected by the devaluation of the rand but also by the strenthening of the yen against the dollar.

To maintain price parity people would have to purchase more middle of the range items, Pick 'n Pay merchandise director Aubry Zelinsky said. SA could no longer afford products at the upper end of the market.

Merchandise ariving now was purchased in October/November last year when the rand was less than R3 to the dollar, Zelinsky said.

● Comment: Page 10

East India comes to CBD

By Meg Wilson
Property Editor

30 STAR 23/3/93

Central Johannesburg is to get its first theme retail complex — the East India Centre, in the old power station buildings behind the Stock Exchange.

And, in a departure from conventional retail developments, traders in the complex will purchase their stores on sectional title.

The developers are Office Accommodation Investments (OAI), which three years ago won a city council tender to develop the site, and the Tiber Bonvec construction group.

They will be seeking conventional bridging finance for the project. Anglo American Property Services, which was to have put up R25 million for the original Turbine Square project on the site, is not now involved.

Director Norman Bosman says OAI has already begun marketing the centre, and had had a positive response to the sectional title concept, particularly from Indian shopkeepers.

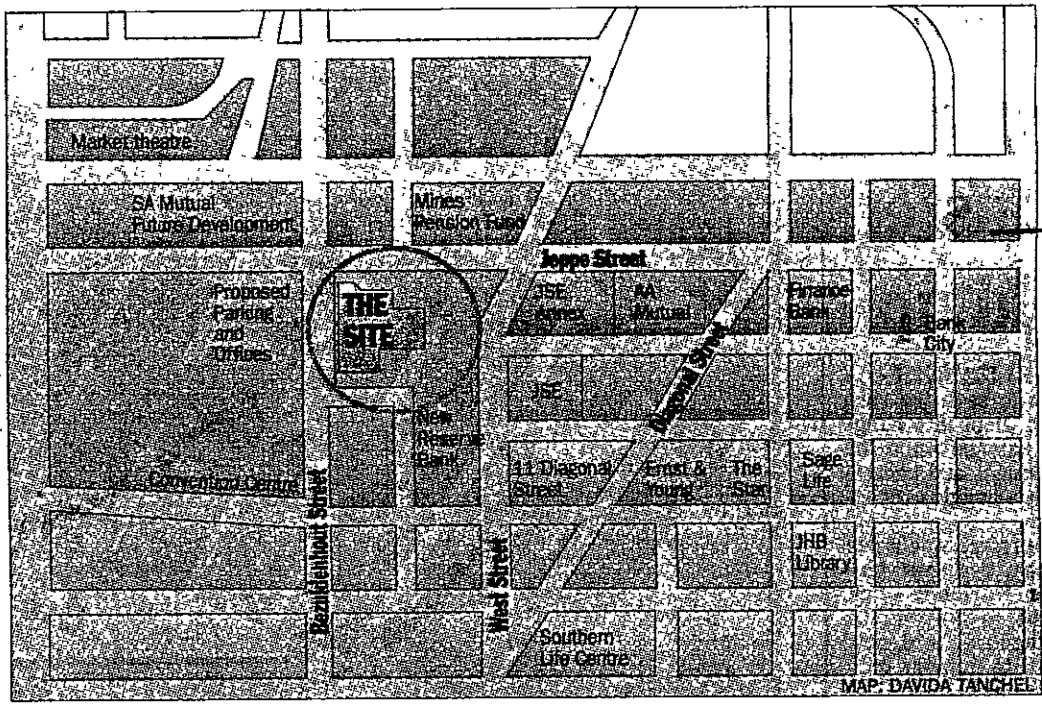
There have been inquiries, he says, from as far afield as Rustenburg, but most business will probably come from Lenasia, the informal sector and traders in the Oriental Plaza wishing to establish a presence in the financial district.

The theme of the centre will be the 19th Century World — harking back to "the great trading epoch" when sailing ships linked Europe to the Orient and the New World.

Phase one of the project will deliver about 15 000 sq m of retail space in stores from 6 sq m to about 100 sq m. The design makes use of the slope of the site to provide three "ground floor" levels, coinciding with West Street, Bezuidenhout Street and Jeppe Street.

Prices for the retail space vary depending on position, but average R5 000/sq m. The initial sectional title levy has been set at R8,50/sq m a month.

The centre will be the first major addition to the Johannesburg retail market since the Carlton Centre, and it is hoped it will form the nucleus of further development in the western CBD.



British girls to work for ANC

LONDON — Somerset teenagers Kerry Moores and Zoe Greenhalgh will be performing secretarial duties this year at the ANC HQ in Johannesburg.

Their work will take them 9 600 km from the sixth form of Richard Huish College, Taunton. They will help the ANC prepare for elections.

The 17-year-olds are studying sociology. They will be given the chance to examine racial relations at first hand.

"There is a possibility of danger, I suppose," they said. "But we will be well chaperoned and looked after and we have no worries about making the trip." — Star Bureau.

Housing ripe for investors

B/DAY 24/3/93.

LINDA ENSOR

CAPE TOWN — Property offered a good investment, with weak house prices and relatively low bond rates, Boland Bank economist Louis Fourie said yesterday.

Fourie was speaking at a Cape Town Chamber of Industries seminar on the effect of the Budget on the construction industry.

He said the current weak price of existing houses was apparent from the 20% deficit between the cost of existing houses and new ones of the same size — despite low building costs which had not kept pace with inflation.

As the property market lagged behind the economy by 12 to 18 months, and there was no indication of an economic upturn, any improvement in the property market was unlikely for some time.

Fourie said that during the period 1970-1991, no region in SA had recorded annual house price increases higher than the rate of inflation.

Residential building plans passed and buildings completed looked poor but not bleak, Fourie said, but the non-residential property market was weak and getting worse.

"I am worried about the future of the non-residential building sector over the next two years."

Study 'a victory for environmentalists'

B/DAY 24/3/93

RAY HARTLEY

RICHARDS BAY — Moves to discredit the CSIR's environmental impact assessment of mining and tourism at St Lucia could cause "the greatest harm done in any country" to environmentalism, Richards Bay Minerals officials said yesterday.

Company PRO Barry Clements said the study had been a victory for environmentalists "whichever way the decision went". Inferences that the report had favoured Richards Bay Minerals were totally without grounds because 52 scientists involved had acted independently.

Clements said part of the study had been carried out by the Natal Parks Board and there were "possible buyers on both sides".

The company would compile its objections to the report and submit these to the CSIR. It preferred not to discuss them with the media, he said.

Clements said the report had been misinterpreted to mean that only R153m would be earned by mining the St Lucia dunes. This was a discounted figure. The mine would, at today's rand value, earn R1,1m a day during its 17-year life.

It would generate about R7bn in foreign exchange earnings, R1,3bn in taxes and a further R100m in royalties, Clements said.

The mine would support the firm's entire operation for five years, keeping its 2 500 workers employed and creating 159 new jobs at the mining site.

Richards Bay Minerals mine and works senior GM Jack Goedhals was confident that when mining started in the year 2000, if government gave the go-ahead, the minerals would still be in demand.

"Richards Bay Minerals has a product that is in very big demand internationally. This demand is growing even in recession."

Suggestions that radioactive monozytes would create a health hazard for workers processing mineral from the dunes were exaggerated, he said.

Monozyte levels at St Lucia were "very, very much lower than the west coast of Australia" where problems had been experienced with radioactivity.

Exposure of workers to the radioactive substance was less than 40% of accepted international limits and conformed to the Council for Nuclear Safety requirements.

Of the 2 500 workers in the plant, only eight worked in the controlled area where such exposure occurred, he said.

Retailers raise prices before VAT increase

B/DAY 24/3/93

ADRIAN HADLAND

PRETORIA — Consumer organisations said yesterday that some retailers had already begun to raise prices ahead of next month's VAT and petrol increases.

Some of the price increases had even affected basic foodstuffs scheduled to be zero-rated.

The prices of cool drinks, cigarettes and alcoholic beverages as well as some basic foodstuffs had already been raised at some outlets, the organisations said.

Shelves were being cleared in some cases to mark up old stock to new prices, said a Housewives' League representative.

A Consumer Council spokesman announced that incidences of retailers putting up prices on zero-rated foodstuffs in order to announce reductions on April 7 had also been reported.

Calling on consumers to be vigilant and to report incidences of profiteering, the Consumer Council, SA National Consumer Union and the Housewives' League had all stepped up price-monitoring surveys.

Sanlam portfolio earns 22% return

BIDAY 24/3/93 (30)

PETER GALLI

SANLAM Properties' retail portfolio provided a return of more than 22% in the financial year to end-September 1992, Sanlam chairman Pierre Steyn said at the opening of its R200m Fourways Mall development last night.

While the group did not usually disclose such information, it had done so to prove that successful property investments were possible in the unfavourable economic climate, and to dispel industry speculation about the extent of its retail commitments, he said.

Sanlam owned 16 major shopping centres with a combined size of more than 500 000m² of lettable space, excluding its centres smaller than 19 000m².

"I am aware that the perception exists in the market that the shopping centre market is overtraded, that the vacancy factor is therefore too high and the return on investment too low," he said.

It could be concluded from this argument that Sanlam, as the financial institution with the greatest number of shopping centres and the most lettable space in the country, was suffering from high vacancies and low returns on investments.

However, this was not the case as its retail return of more than 22% was higher than those of other types of property investment and most other types of equity and fixed-interest investments.

"Our national vacancy level for retail space is only 4,2%, which is very low compared with office and industrial properties.

"The fact that the 60 000m² centre, which has 3 000 parking bays, is almost fully let, is proof that it will provide a sound return on the investment," he said.

Fourways Mall was Sanlam's largest investment, in value terms, in a single shopping centre.

For developments to be successful they had to be properly researched and strategically placed, well-designed to meet the needs of the market and well marketed and managed to ensure public support was maintained, he said.

Meanwhile, in Natal, the 75 000m² Pavilion shopping centre in Westville had its roof wetting last week.

The centre is being developed jointly by Murray & Roberts Properties and Retail International (RI) and was sold to the Eskom Pension and Provident Fund for R340m.

The complex is believed to be more than twice the size of any other centre in Natal, and more than 90% of the available leasable area has been let. About 55 shops were unlet, RI director Nelson Orr said.

The centre is to be officially opened on October 20 and beneficial occupation of the major tenants is expected from the end of June.

The complex will provide two main shopping levels, with the lower mall anchored by a 15 000m² Hyperama at one end and a 5 500m² Pick 'n Pay at the other.

A 8 450m² Woolworths and a 8 400m² Edgars will also trade side by side on this level and the upper level, where a 3 900m² Game will anchor the western end. A banking mall will dominate the eastern end.

Nu Metro will provide eight cinemas with seating for 1 000 people and will be connected to a food court housing restaurants, cafes and coffee shops.

"Taking into account the size of the major stores, we are expecting to draw at least 1-million people to the centre each month. This is on a par with centres like Tyger Valley, Sandton City and Eastgate," Orr said.

Star 24/3/93

Pressure expected on shop rentals as retailers battle

Property Editor (30)

Landlords should not expect much buoyancy in shop rentals this year because retailers will probably experience poor trading density growth.

Total monthly retail sales have shown a steady decline since 1990, dropping from R6 billion at the end of that year to R5,3 billion last September.

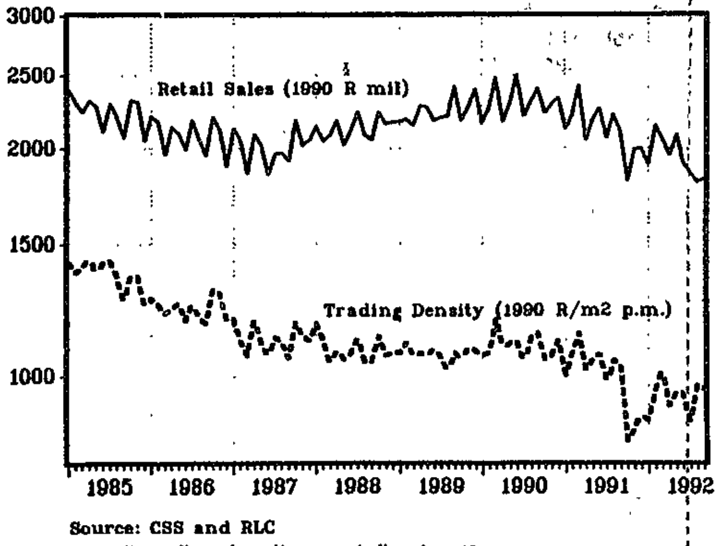
However, a much worse picture becomes evident, according to the new Rode Retail Report, when one looks at trading densities — defined as turnover per square metre of trading space, and often a better measure of retailers' ability to pay increased rentals than total sales.

The graph shows the divergence between the two measures over the past few years, in the food and grocery sector.

The report notes that one factor causing a decline in trading density is a faster growth in available retail space than in total sales.

"Over the past few years, trading densities of food and clothing have grown at a markedly slower rate than total sales for these categories, which is a strong indication that developers ... have been oversupplying the market with certain types of space."

It concludes that turnovers and profits will remain under tremendous pressure this year.



Retail trading density vs retail sales (food and groceries) need for regular attendance. The reasons for absenteeism are investigated and at times home visits are made. Persistent cases of absenteeism are brought to the attention of the Superintendent of Education Management, while very serious cases are referred to the Teacher Welfare Board of the department for attention.

Mr P NAIDOO: That is a failure. It was a work-creation exercise!

The MINISTER: I also agree with the hon member on that score.

The principals find that they cannot disprove medical certificates and that this also presents a problem. The Gitanjali incident was the result of interference by Sadtu and parents. This matter is also being addressed.

In answer to the hon member for Arena Park, examination leave presents many problems. In this case the only way to deal with the situation is to appoint locum tenentes timeously. This is being attended to.

The hon member for Merebank answered some of the hon member Mr P Naidoo's queries.

Mr A RAJBANSI: Mr Chairman, on a point of order: Before I make my point of order I would like to preface it with a remark. [Interjections.]

The CHAIRMAN OF THE HOUSE: Order! If the hon member has a point of order he must proceed with the point of order.

Mr A RAJBANSI: Mr Chairman, my point of order is the following: Since the Speaker of Parliament is the custodian of the structures of Parliament and since you represent the Speaker in this House, I want a ruling on the status of parliamentary committees in view of the fact that a Minister had to make a choice between the important tasks of a parliamentary committee and a luncheon.

The CHAIRMAN OF THE HOUSE: Order! I do not think this is the time to make a point of order of that nature. I wish to inform the hon member that he is welcome to come and see me in my office. If I can be of assistance to the hon member, I will try to do so.

Mr A RAJBANSI: Mr Chairman, I am a former football referee and I was taught to accept rulings. [Interjections.]

Debate concluded.

*2. Mr M Rajab—Education and Culture. [Withdrawn.]

QUESTIONS

†Indicates translated version.

For oral reply:

Own Affairs:

Chairman of Ministers' Council:

MECs/ministerial representatives: dismissal

*1. Mr A SINGH asked the Chairman of the Ministers' Council:

(1) Whether he intends taking any steps in respect of the dismissal of any (a) Members of the Executive Committees and (b) ministerial representatives; if so, what steps;

(2) whether he will make a statement on the matter? D120E

The CHAIRMAN OF THE MINISTERS' COUNCIL:

(1) (a) No.

(b) No.

(2) The appointment of members of Executive Committees and ministerial representatives is the prerogative of the hon the State President.

Mr A RAJBANSI: Mr Chairman, arising out of the hon the Chairman of the Ministers' Council's reply, is he aware of the fact that although this is the responsibility of the hon the State President, the procedure in respect of these appointments is that recommendations are made by the Ministers' Councils of the various Houses? Furthermore, in view of the fact that the hon the Chairman of the Ministers' Council wants to be the blue-eyed boy of the Government by saving money, why does he not make recommendations accordingly? Because of his uselessness he should also recommend his own dismissal in order to save taxpayers' money.

The CHAIRMAN OF THE MINISTERS' COUNCIL: You want my job!

Mr A RAJBANSI: Never, you are bloody useless!

The CHAIRMAN OF THE HOUSE: Order! Did the hon member for Arena Park say that the hon the Chairman of the Ministers' Council is "bloody useless"?

Mr A RAJBANSI: Mr Chairman, I withdraw the word "bloody", but I retain the word "useless".

Mr P NAIDOO: Mr Chairman, further arising out of the reply of the hon the Chairman of the Ministers' Council, will he concede that the present incumbents are doing an admirable piece of work? [Interjections.]

The CHAIRMAN OF THE HOUSE: Order! The hon the Chairman of the Ministers' Council is on his feet.

The CHAIRMAN OF THE MINISTERS' COUNCIL: Mr Chairman, I have answered the question. This is a matter which rests with the hon the State President. I certainly have a high regard for the work that is being done.

Ministers:

Repossession of shops

*1. Mr A RAJBANSI asked the Minister of Local Government, Housing and Agriculture:

(1) Whether his Department advised the Housing Development Board to repossess certain shops, particulars of which have been furnished to the Minister's Department for the purpose of his reply, in 1989; if so, what are the particulars of the shops in question;

(2) whether any of these shops were repossessed; if not, why not; if so, (a) when and (b) for what reasons;

(3) whether any notice was served in respect of each shop so repossessed; if not, why not; if so, what are the relevant details in each case;

(4) whether any such notice was subsequently withdrawn; if so, why? D70E

The MINISTER OF LOCAL GOVERNMENT, HOUSING AND AGRICULTURE:

(1) Yes.

Shop 4, Moorton which was leased to Moorton Butchery (Pty) Ltd on 9 May 1986; and Shop 14, Montford, which was leased to Raj Investments (Pty) Ltd on 19 May 1982.

(2) Yes.

(a) The Housing Development Board cancelled the lease, with immediate effect, on 28 February 1989 in respect of Shop 4, Moorton.

(b) The reason in the main related to a contravention by the lessee of the tenancy agreement in that the lessee disposed of his interests in the business at Shop 4, Moorton, to a willing buyer without the written consent of the lessor, viz the Housing Development Board. In respect of Shop 14, Montford the said Board resolved that the lease be terminated upon six months written notice. However, repossession never became final as the Housing Development Board rescinded its decision soon afterwards.

(3) Yes.

In respect of Shop 4, Moorton, a written notice of the cancellation of the lease was addressed to the tenant on 1 March 1989. In respect of Shop 14, Montford, a written notice of termination of the contract of lease was served on a director of Raj Investments (Pty) Ltd on 24 April 1989.

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(4) Yes.

On 30 May 1989 the said Board rescinded its decision taken on 10 April 1989 to terminate the lease in respect of Shop 14, Montford in the interest of consistent decision-making.

Mr A RAJBANSI: Mr Chairman, arising out of the hon the Minister's reply, in the interests of consistent decision-making, is he aware that the same situation prevailed in respect of Shop 14, Montford, as in respect of Shop 4, Moorton? Secondly, was there any difference, because it was discovered that the person running the shop was a Mr Dave Pillay?

The MINISTER: Mr Chairman, as far as Shop 4 is concerned, I want to make it very clear, in view of further questions, that the matter is *sub judice*. As far as Shop 14 is concerned, a meeting was arranged between the hon member for Arena Park, Mr Reid, the legal adviser, and the chief director on 26 February. A lengthy discussion took place. I might as well inform the House, and especially the hon member for Arena Park, that this matter is now set to be discussed by the board on 1 April 1993.

Return to business ethics, says judge

(30) ARG 24/3/93

BRUCE CAMERON
Business Staff

A CONCESSION in which business ethics had given way to expediency during the years of sanctions should not be extended, a Cape Town judge said.

The warning was given by Mr Justice Pat Tebbutt at the annual meeting of the Institute of Life and Pension Advisers in Somerset West yesterday.

The concession, he said, should never be allowed to undermine the very structure on which business was based.

Judge Tebbutt said he opened his daily newspaper with trepidation about whose name would appear as having been arrrested, subject to an investigation, or had fled the country.

He said ethical problems also arose when government policies gave rise to political or economic uncertainty, not only among those who administered the country, but also among those who had to make a living in the socio-economic environment.

It was often a matter for debate whether business could be ethical and remain profitable.

There were many problems in deciding what was ethical or unethical. For example, was accepting a lunch any different from a bribe or improper payment.

His advice was that businessmen should "observe those ethical standards that you would wish others to apply to you".

He said he did not want to generalise or suggest that all business was corrupt or crooked.

Many businesses and many areas of business "are indeed squeaky clean".

"We have, however, seen enough defections from the straight and narrow path in recent years to know that there are individual businessmen who have sought to depart from those ethical standards that are expected by the general public and have broken the law..."

He supported the idea of codes of conduct but said even these provided problems.

A code of conduct or ethics could only be a collection of guidelines.

"Our law reports abound with cases where voluntary associations ... have been unable to enforce disciplinary procedures because they have not been clearly defined ..."

'Renewed optimism' in the property market

PETER GALLI

THERE is renewed optimism in the property market, which is reporting increased activity in all sectors, says JH Isaacs chairman Les Weil.

In his first quarter review of the market released yeseterday, Weil said that while prospects for the rest of the year appeared positive, this was tempered by ongoing negative real growth in the economy and a fragility in business confidence.

Much further growth in the commercial and industrial markets over the rest of the year was generally unlikely, a position that was being exacerbated by market offers of rent-free periods and other incentives to fill the larger available space, he said.

"However, since December the commercial and industrial leasing and sales market has proved resilient to economic conditions and, in Johannesburg, those divisions reported improvements in demand," he said.

The strongest demand for new office space continued to come from local companies in the Johannesburg CBD.

Rosebank reflected strong demand, commanding rentals of between R28/m² and R35/m², with occupancies rising to 97%. The decentralised Sandton office nodes of Woodmead and Epsom Downs also reported increased interest.

However, the Durban office letting market remained "very quiet", with an abundance of stock and little demand, while gross rentals in Cape Town ranged from R18/m² to R27/m², the report said.

FM 26/3/93.

PICK 'n PAY (30)

Succession dilemma

Pick 'n Pay's 1993 year-end results are expected to be accompanied by the announcement of the successor to Hugh Herman, who retires as group MD. Market talk suggests several prospects — including Gareth Ackerman (36), eldest son of the controlling shareholder.

Main obstacle to Gareth Ackerman becoming the sole successor to Herman now would be his comparative youth and lack of experience.

He has been in the business for 10 years, having started with two years as operations manager at Brisbane Hypermarket in Australia, before becoming a buyer at Price Club. He was appointed GM of Steeledale Hypermarket and joined the board of Pick 'n Pay Holdings in 1987, and then became GM of Superstores.

Directorships of the trading subsidiaries and of Pick 'n Pay Stores followed in 1989 and 1990. He's now GM of Blue Ribbon Meat, which controls the buying and marketing of all meat sold by Pick 'n Pay.

One option chairman Raymond Ackerman might consider would be to appoint his son joint MD, along with one of the more seasoned directors. There are, in fact, four more experienced executive directors who are being cited by the market as potential successors to Herman, either singly or as joint MDs.

Chris Hurst (56), finance & administration director, has been with Ackerman for 24 years; René de Wet (50), head of human resources, has 21 years' service; Martin Rosen (42), responsible for marketing, has served 23 years; and Sean Summers (39), in charge of food merchandise, has 19 years.

But the results will be equally interesting. Last year, for the first time, Pick 'n Pay's EPS declined (by 2%), despite a 14% rise in turnover. This resulted from the steady narrowing of the trading margin since 1982.

It's hoped this trend was reversed in the past year. Analysts are looking for earnings growth of 8%-12% for financial 1993. After peaking at 1 525c in September 1991, the share price fell to 975c last July; it has since recovered to 1 325c.

Gerald Hirshon

Pick 'n Pay share earnings rise 10%

(30)

BIDAY 26/3/93

LINDA ENSOR

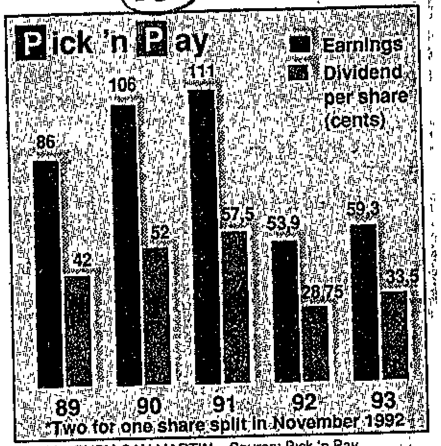
CAPE TOWN — Pick 'n Pay yesterday reported a 10% rise in earnings a share for the year to end-December, and announced the appointment of joint MDs Gareth Ackerman and Rene de Wet to replace current MD Hugh Herman who leaves the group at end-April.

Food director Sean Summers has been appointed deputy MD.

A final dividend of 26,25c (22,5c) was declared to bring the total distribution to 33,5c (28,75c) — an increase of 16,5% — on earnings of 59,3c (53,9c) a share. The two-for-one share split in November last year has been taken into account in the calculation of earnings and dividends.

Turnover rose a modest 8,7% to R6,4bn (R5,9bn) but Ackerman said the group had gained market share, which had remained at 32,6% in spite of the 4,3% drop in real retail sales last year. He said he was "delighted" with the results which were produced in an extremely tough economic environment.

With benefits beginning to be felt from the group's R150m long-term technology programme, margins strengthened to 2,28% (2,22%) after two years of decline.



Graphic: RUBY-GAY MARTIN Source: Pick 'n Pay

Ackerman said shrinkage, including markdowns, now stood at 0,7% (1%) and expenses, at R23m below budget, were well controlled. Improvement in stock controls resulted in cash-in-hand at year-end rising to R309m (R191m).

The stronger margin led to an 11,4% rise in operating income which — together with R14m in net interest received, compared with R3,4m paid last year — generated a

To Page 2

Pick 'n Pay

BIDAY 26/3/93 (30)

From Page 1

pre-tax profit growth of 16%. Investment income fell to R1,2m (R11,2m) on account of last year's sale of the group's equity-linked insurance policies.

Financial director Chris Hurst said the larger increase in the dividend, relative to earnings, was explained by the one-off rise in the tax rate due to the withdrawal of certain tax benefits. The dividend hike was more in line with the pre-tax profit increase. Also, the group was cash-rich and confident about its prospects this year.

He said Pick 'n Pay had made representations to Inland Revenue about Pick 'n Pay being expected to pay the old 48% tax rate as well as the new 15% secondary tax on companies (STC). He was confident this would be changed and it appeared unlikely that dividends would be subject to STC.

The group's store opening and refurbishment programme would continue this year with a supermarket in Bloemfontein and a superstore in Somerset West.

Ackerman said he was optimistic that Pick 'n Pay would achieve nearly the same, if not the same, increase in profit this year.

The likely resolution of the negotiation process would have positive spinoffs for the economy, the inflow of capital and confidence. But no upturn could be expected before year-end and the increase in VAT and fuel prices could lead to a short-term tightening of consumer purse-strings.

He said Pick'n Pay had calculated that food prices in its stores had risen by about 3% between October last year and February this year, compared with the official inflation rate of about 9%.

Ackerman said he would visit Australia soon to look at the possibility of rejoining the Australian partners Pick 'n Pay had before political factors forced it to leave the country. Deals for stores in Windhoek and Botswana were "well advanced".

See Page 6

CENTRECITY/CAPITAL [redacted]

Dull but reliable

30

Centrecity Property Fund
Activities: *Holds a property portfolio concentrating in prime office and retail developments.*
Control: *Southern Life.*
Chairman: *S Pather.* FM 26/3/93
Capital structure: *163,5m units. Market capitalisation: R425m.*
Share market: *Price: 260c. Yields: 9,5% on dividend; n/a% on earnings; p:e ratio, 10,3; cover, n/a. 12-month high, 300c; low, 240c. Trading volume last quarter, 2,6m shares.*

Year to Dec 31	'90	'91	'92
Interest as % of total income .	35	28	16
Total capital employed (Rm).	239,8	239,8	247,7
Distribution (c)	25,9	25,3	24,7
Distribution as % of cap employed	16,7	17,3	16,3

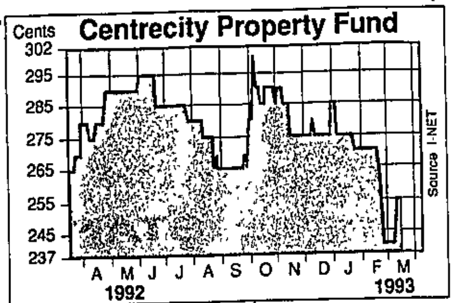
Capital Property Fund [redacted] 30
Activities: *Invests in broad spread of industrial, warehouse, office, parking and retail buildings.*
Control: *SA Mutual.*
Chairman: *S Pather.* FM 26/3/93
Capital structure: *129,3m units. Market capitalisation: R310m.*
Share market: *Price: 240c. Yields: 13,3% on dividend; n/a% on earnings; p:e ratio, 7,5; cover, n/a. 12-month high, 290c; low, 240c. Trading volume last quarter, 428 000 shares.*

Year to Dec 31	'90	'91	'92
Interest as % of total inc ...	17,6	22,8	17,0
Total capital employed (Rm)	177,1	266,0	266,9
Distribution (c)	29,99	32,11	31,8
Distrib as % of cap employed	15,6	13,7	15,4

Property funds are not the most exciting of investment vehicles. This is not to say they are not worthwhile, they are merely rather dull, especially in the circumstances of the present moribund property market.

These two, Centrecity (Cenprop) and Capital, are closed-end and obliged by law to distribute all income earned each year. They have no borrowings; they are highly predictable. As such, they play an important role in the portfolios of many investors who need to be assured of reliability and constancy.

Cenprop has a premium rating relative to other property trusts. This derives largely from the quality of its buildings, which include the Mall in Rosebank, Johannesburg, and the NBS centre in Johannesburg CBD,



FM 26/3/93

which houses the Edgars flagship. Cenprop has a neat, easily indentifiable portfolio of buildings considered prime quality.

One of Cenprop's buildings in Rosebank, JHI House, has recently been the subject of much attention by residents' groups, which allege contraventions of municipal building regulations. J H Isaacs CE Les Weil, whose company is responsible for providing management to Cenprop and Capital, says an investigation is under way but adds that any financial impact isn't likely to be material.

Capital, on the other hand, holds an industrial portfolio and concentrates on providing decentralised office and warehouse buildings. Capital's properties — there are about 90 in all — are widely spread. The vacancy level is about 7% and Weil says this is not high "particularly given the present state of the market." [redacted] 30

Capital is considered by some analysts to be undervalued relative to its total asset base and may present an opportunity. *David Gleason*

Pick 'n Pay earnings edge past inflation

30

CT 26/3/93

By AUDREY D'ANGELO
Business Editor

TRADING in conditions which chairman Raymond Ackerman said were "among the toughest this country has ever known," Pick'n Pay lifted earnings by 10% in the year to February 28, just outstripping inflation.

This was achieved on a rise of 8,6% in turnover, to R6 4bn (R5,9bn). Pre-tax income was 16% higher at R161,3m (R139m) and distributable income R93m (R84,4m).

Trading income was R146,2m (R131,2m), investment income R1,2m (R11,2m) and net interest received R13,9m compared with interest paid of R3,4m the previous year.

Earnings at share level were 59,3c (53,9c). The final dividend is 26,25c (22,50c), making a total of 33,50c (28,75c) for the year.

The tax bill rose to R68,3m (R54,6m), because some special benefits had been withdrawn.

Financial director Chris Hurst said that Pick'n Pay — like other companies whose financial years ended in February and March — had been hit by the new 15% tax on profits to be distributed as dividends while still paying company tax at the rate of 48%.

This was a one-off problem. And "we have made representations to the Department about this. Other companies caught in the net include Barlows and Anglo, so there is a lot of muscle involved."

Ackerman said he was "delighted" to have achieved these earnings in the present climate.

"Although the turnover increase was modest, it must be remembered that according to the Central Statistical Services real total sales in retailing in SA for the year fell by 4,3%."

Pick'n Pay's market share, as measured by IBIS, has risen to 32,6%, compared with 32,1% at the end of 1992. And, said Ackerman: "Our market share in non-foods increased dramatically."

Pointing out that European supermarket chains consider 3% growth in earnings to be satisfactory, Ackerman said that if SA's inflation rate remained in single digits it would be difficult to achieve the high nominal growth rates obtained in the past.

He said Pick'n Pay's own figures showed that "food prices in our stores increased by only approximately 3% between October last year and February this year."

Expenses had been well controlled. They were about R23m below budget. And over-all shrinkage improved to 0,7% compared with 1% the previous year — due mainly to the group's information technology.

Store openings for the coming year included a superstore in Somerset West and a supermarket beside Nyanga station, which would serve both the coloured and black communities in the vicinity.

● Holding company Pick'n Pay Holdings (Pikwik) reported earnings of 16,55c (14,20c) a share. The final dividend is 12,96c, making a total distribution for the year of 16,54c (14,21c).

Ackerman's son becomes joint MD

By Tom Hood (30) STAR 26/3/93

CAPE TOWN — The Ackerman family has strengthened its control of the R6,5 billion Pick 'n Pay supermarket giant with the appointment of Gareth Ackerman, 35-year-old son of chairman and chief executive Raymond Ackerman, as a joint managing director.

He shares the hot seat with Rene de Wet, 49, director of human resources, who will continue to hold the post.

Gareth Ackerman, currently general manager of the company's Blue Ribbon meat operation, also becomes managing director of Blue Ribbon.

He has worked in almost every area of the business, starting as a casual in his school holidays.

He spent two years in American supermarkets, three years in Australia in retailing and was Transvaal general manager of Pick 'n Pay's superstores.

Sean Summers, 39, director of foods, becomes deputy managing director.

The changes follow the resignation of Hugh Herman, managing director for almost 10 years.

Announcing the appointments, Raymond Ackerman said yesterday: "I believe with our established management team and the leadership of youth and experience, the company will enter a new era."

Pick 'n Pay performs above expectations

Star 26/3/93

(30)

By Tom Hood and Stephen Cranston

Pick 'n Pay has outperformed market expectations in its results for the year to February by reporting a 16 percent increase in pre-tax profits to R161 million.

This was achieved despite a modest 8,6 percent increase in turnover to R6,423 billion.

But an increase in the effective tax rate from 39 percent to 43 percent restricted the increase in Pick 'n Pay's earnings per share to 10 percent.

Appropriate

Chairman Raymond Ackerman says that because the dividend was held last year, it was considered appropriate to increase the dividend by 17 percent to 33,5c.

The store opening programme slowed down during the year, with just one supermarket being opened at Midrand.

Pick 'n Pay expanded its smaller formats, adding Boardman's stores at Midrand and Hatfield, Pretoria, and Pantries in Bloemfontein and at the Cape Town Waterfront.

Raymond Ackerman ... confident wage agreement will be settled

The third of the specialist clothing stores, Chain Reaction, was opened at Tyger Valley, north of Cape Town.

Ackerman says that policy this year will be more aggressive, with stores planned for Westville and the Durban Bluff, Bethlehem, the Johannesburg CBD and Nyanga in the Cape.

A superstore will be opened at Somerset West.

Boardman's will open at La Lucia and Westville in Natal.

Ackerman says that food prices in Pick 'n Pay stores increased by only three percent between October and February.

The inflation rate dropped rapidly as a result of the drought being broken and prices were now being compared on a like-with-like basis from October after 12 months of VAT.

Ackerman describes the 8,6 percent turnover increase as modest but points to the Central Statistical Service reporting that real total sales in retailing fell by 4,3 percent.

Yet Pick 'n Pay's market share, as measured by Ibis, remained at 32,4 percent, which was above the percentage achieved at the 1982 year-end.

January market share figures were above the Novermber-December figure of 32,1 percent.

The group's share of non-food sales has increased dramatically, he says.

The group had cash balances of R309 million at the year-end — up from R191 million previously.

But outgoing managing director Hugh Herman points out that this item can fluctuate sharply from month to month.

Stocks were tightly controlled and were well in line with budgets.

They increased by just R6 million to R422 million. Expenses were R23 million below budget.

Creditors remained by far the most important funding source and increased by R79 million to R727 million.

Shrinkage

Shrinkage improved to 0,7 percent of turnover from one percent a year earlier, which illustrates the benefits flowing from the millions spent on information technology, says Ackerman.

Ackerman is confident that the wage agreement with the unions will be settled in the next few weeks.

He says the group is still negotiating with the unions on flexibility, which is seen as a vital productivity tool.

Ackerman expects further increases in profitability this year, though perhaps at a slower rate.

Pick 'n Pay sales top R6 billion

(30) ARG 26/3/93

TOM HOOD, Business Editor

FOOD prices in Pick 'n Pay stores increased by only 3 percent between October and February, says group chairman Mr Raymond Ackerman.

The inflation rate dropped rapidly as a result of the drought being broken and prices were now being compared on a like with like basis from October after 12 months of VAT.

For the first time group sales topped the R6 billion mark, rising R515 million to R6,4 billion in the year to February.

Mr Ackerman described the 8,6 percent increase as modest and said it reflected the easing of inflation.

He said Central Statistical Services estimated real total sales in retailing fell by 4,3 percent, yet Pick 'n Pay's market share as measured by IBIS remained at 32,4 percent, which was above the percentage achieved at the 1982 year-end.

January market share figures were above the November- December figure of 32,1c.

The group's share of non-food sales had increased dramatically, he said.

Trading profit grew by 11 percent to R146 million and earnings were 10 percent higher at R93 million, equal to 59,3c (53,9c) a share.

Total dividends, however, are up by 16,5 percent to 33,5c (28,75c) a share — "last year we maintained the dividend and felt we owed an increase to the shareholders", said Mr Ackerman.

The final dividend is 26,25c, up 16,6 percent on last year's 22,5c.

The group had cash balances of R309 million at the year-end, up from R191 million, but managing director Hugh Herman pointed out this item could fluctuate sharply from month to month.

Shrinkage improved to 0,7 percent of turnover from 1 percent a year earlier and this illustrated the benefits flowing from the millions spent on information technology, said Mr Ackerman.

The Ackerman family strengthened its control of the supermarket giant with the appointment of Mr Gareth Ackerman, 35-year-old son of the chairman, as joint managing director.

He shares the hot seat with Mr Rene de Wet, 49, currently director of human resources, who will continue to hold this post.

Director of foods Mr Sean Summers, 39, becomes deputy managing-director.

Mr Gareth Ackerman, currently general manager of the company's Blue Ribbon meat operation, also becomes managing director of Blue Ribbon.

The changes follow the resignation of Mr Hugh Herman, managing director for almost 10 years.

Pick 'n Pay will open in Nyanga

ARG 27/3/93

30

TOM HOOD
Business Editor

PICK 'n PAY has decided to open a supermarket in a R20 million shopping centre planned for Nyanga railway station in the face of fears its lower prices will put small black traders out of business.

"We are not trying to be insensitive to black traders, but we believe black consumers should be able to buy food and other goods at the same low prices we have been selling at to white consumers," said Pick 'n Pay chairman Mr Raymond Ackerman.

"We have been talking to a lot of people over the years to operate partnerships in townships, but each time nothing came of it."

The supermarket was among 10 stores of various sizes the group planned to open in a multi-million-rand development programme.

But the Nyanga store would not be opened until the company's next financial year — after February 1994.

"We have definitely decided to go ahead," said Mr Ackerman.

The Nyanga Station Commercial Centre, as it is named, will be a two-storey building containing about 50 shops built over the station. Total shopping area is almost 9 000m² — about one and a half times the size of Newlands rugby ground.

It is aimed at the 650 000 people who live who live in a 5km radius in the long-established suburb and at the estimated 35 000 commuters who catch trains at Nyanga daily.

The developers claim the centre will provide hundreds of jobs when it is fully operating and more than 1 000 during construction from May until March next year.

Other companies planning to open at the centre include Diskom, Foschini, Pep, Bergers, Zhauns, the Totalisator Agency Board and Goldrock Liquor.

Sixty percent of the shops have already been let to national retailers, say the developers, Combi and Company. The company has the backing of leading businessmen Mr Zithulele Combi and Mr Bheki Tshabalala, who is also a Johannesburg property and garage owner. Consultants are Montsi and Associates.

"This is the most important black development in the Western Cape and will pave the way for bigger developments," said Mr Combi, chairman of the develeopment company.

"All the local black political organisations, including the ANC, gave their support to the project, and we also have the support of the South African Black Taxi Association."

"We are trying to create an area where black, white and coloured business people can trade together," said a spokesmen for Broll Real Estate, the letting agents.

The Rail Commuter Corporation was also supporting the venture, injecting the value of the land for its share in the company and taking profits from the venture to subsidise fares and station improvements.

A police station would be built as part of the development. The centre will also include a petrol station, taxi ranks and public parking space.

The developers were trying to attract local traders, with rents ranging from R20 to R40 a square metre, while space would be allowed for about 50 hawkers' barrows for informal trading at about R25 a month.

Rabie Property Developers have been appointed project managers and the architects are Prinsloo, Parker, Flint, Elliot and Van Den Heever.

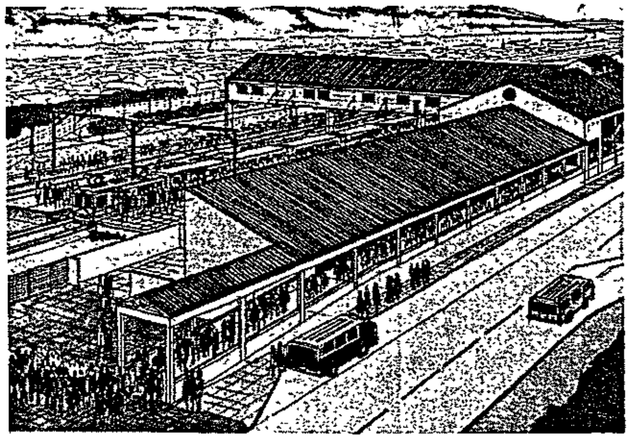
● Six new stores were opened by Pick 'n Pay in the year to February 28.

Others planned for the coming year include a superstore, and a new Boardman's store at Somerset West.

There would also be new stores at Bethlehem in the Free State and Westville and The Bluff, Natal.

Price Club — the group's wholesale chain — would also open branches in Kimberley and Rustenburg.

● Picture: Page 5



☐ **GROWTH PLANS:** The major shopping centre is to be built at Nyanga station, with the first phase of 50 shops costing R20 million and opening in March next year. The centre will have almost 9 000 m² of retail space and cater for more than 650 000 people living in a 5 km radius.

☐ **BUSINESS PERSONALITIES OF THE WEEK:** Pick n Pay has a new management team in the form of joint MDs Mr Gareth Ackerman (35), right, and Rene de Wet (49).
See page 3

'Not enough' for small business'

SOUTH 27/3 - 31/3/93 (30)

By Waghied Misbach

ALTHOUGH R94 million more than last year was provided for the promotion of small business in this year's budget, it is not enough, says Mr Trevor Manuel of the ANC's Economic Department.

About R75 million would go to the Small Business Development Corporation (SBDC) and the Development Bank of South Africa (DBSA) would get about R30 million. Altogether R112,6 million was provided for small business development this year.

Manuel said the lack of competition in South Africa, with a few conglomerates owning a large slice of the economy, was forcing small businesses to close.

Questioning the role of the agencies involved in stimulating small business, he said 73 percent of loans from the SBDC went to white entrepreneurs.

He noted that the Industrial Development Corporation still had 100 million rand for small business loans, but could not find takers. "We must look at these agencies."

Growth

"We should also ask about the nature of the systems and whether this money would be used to create more hawkers or vendors or whether the approach to industry would provide for growth."

Attempts to stimulate the growth of small and medium enterprises were "commendable", but were not on par with the rest of the world.

"In other countries, small business is the biggest sector which absorbs labour."

Manuel suggested a government parastal be set up to stimulate small businesses and receive input from groups such as Nafcoc and Fabcos.

Obstacles

One of the biggest obstacles to small business was the banking sector — owned by conglomerates who were opposed to competition.

For instance Old Mutual owned Nedcor, Rembrandt had a huge stake in Absa, Anglo American owned First National Bank and Liberty Life owned Standard Bank, said Manuel.

The banking sector also gave preferential access to white businesses for financial help.

He said trade tariffs also made it difficult for smaller companies to import cheaper products. Local companies who historically enjoyed a monopoly successfully applied for heavy tariffs against cheaper imports.

He cited the example of Plate Glass, who successfully applied to have dumping tariffs applied against a smaller company, Triangle Glass, who were importing plate glass cheaply from Pacific Rim countries.

"About a month ago, these tariffs were awarded to Plate Glass and now Triangle Glass is going out of business."

Manuel said Triangle Glass supplied their products cheaply to township glaziers, but with the increased cost, these glaziers were now facing closure.

THE ANC's Trevor Manuel says that a vibrant small business sector could be the major provider of jobs in the economy.

But, he argues, not only is too little being done for small business, the government has a twisted logic about job creation.

Manuel says the Normative Economic Integrated Model, the government's economic plan, states that R51 billion until 1997 will create 1,3 million jobs.

But only R60 million was given in the Budget to the National Economic Forum to create jobs and, according to Manuel, this would create only 1 529 jobs.

On the other hand, R300m was provided for those retrenched. (30)

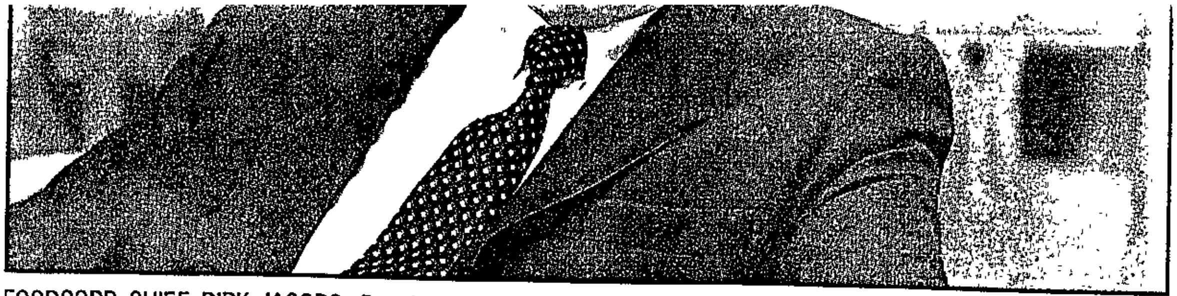
"Let's say it costs ~~four times~~ more to create a job than to shed one. SOUTH

"Then R300m for the retrenched would put 20 times more people out of work than the new jobs created by the NEF programme."

"That's wonderful logic. We have a fund that would get rid of 30 000 jobs but only create 1 500. 27/3 - 31/3/93

"I don't understand this. Do they realise that close to 4,8 million workers are unemployed?

"Only three percent of 400 000 school-leavers were absorbed into the formal economy. The rest of them are contributing to crime in the country," he said.



FOODCORP CHIEF DIRK JACOBS: People are buying cheaper lines and not wasting as much as they used to

Hunger fears rise as sales of basic foods take a dive

STimes (Buss) 28/3/93.

30

By CHERILYN IRETON

FOOD companies report an alarming drop in sales of basic foods in January, raising fears that hunger is spreading rapidly among the poor.

Tiger Oats, South Africa's leading manufacturer and distributor of staple foods, says sales in January — a traditionally poor month — were the worst in years.

Premier Group deputy chief executive Gordon Utian confirms the drop.

Mr Utian says: "January was much like hitting a brick wall. We've tried to analyse the reasons and have concluded that January can't be looked at in isolation. Sales must be coupled with those of December — when Christmas came too late to move stock and there was a huge carryover in stores.

"February sales recovered slightly and this carried through to March, although it was by no means a great recovery."

Luxury

OK Bazaars confirms that January was "very tough" on the retail side, the poor sales extending to February.

OK marketing director Arthur Solomon says the 40% increase in VAT and 10% in petrol are expected to exacerbate the problems of the poor and unemployed.

An IBIS marketing information service analysis of food sales for the year to December shows a big drop in "luxury and value-added items", such as condiments.

But there was a pick-up in products like pasta (11% higher in volume terms) and dry-packet sauces (up 23%). Manufacturers believe they are being used as substitutes for meat.

Soya substitute sales rose 13%. Chewing gum sales were off 16% and potato chips 7%.

An earlier analysis showed a huge increases in dog-food sales, heightening manufacturers' suspicions that impoverished people are turning to pet food for protein.

Sales of basic products, such as maize, salt and peanut butter, have been hit. Tiger Oats says people appear to be buying smaller quantities of staple foods.

A spokesman says: "Povery is definitely spreading. This is most disturbing because it could mean hunger for the poorer sections of the community. There is no evidence of an upturn and with so many millions unemployed the picture is gloomy."

Results for the Barlow Rand subsidiary for the six months to March are likely to mirror the poor state of the market.

Foodcorp, wich has a portfolio balanced between staple foods and value-added products, did not find January so dreadful. February was reasonable.

This is confirmed in the group's results published this week. The good bottom-line figures — earnings were effectively up 14% a share — disguise the fact that there has been no real growth in food sales for the past 12 months.

Foodcorp chief executive Dirk Jacobs does not expect any growth for the rest of the year. He says the recent Budget will dampen consumer demand further.

Mr Jacobs says: "If you look at the rapid rise in urbanisation and population growth, it is obvious that people are eating less. But we believe that there is less waste. People have become more frugal."

He notes a strong trend among consumers to buy down and says this is reflected in growing demand for the products of his group's staple-foods operation.

National Brands, the Anglovaal subsidiary, has a small exposure to basic foods. But group managing director John Bryant confirms a "particularly bad January in this category. February was slightly improved, but the outlook for the first quarter is below that of the previous year.

"The downturn in some markets is cushioned by better performances in other categories."

Mr Utian has several theories about the January decline. "The heavier burden on parents as a result of the switch to model C schools meant that a lot more money was spent on back-to-school items, although these people are not on the bread line."

Good rains may have resulted in more home-grown produce being eaten. Another possibility is that retrenchment packages, paid out towards the end of blast year, have begun drying up.

Tiger has embarked on a programme to identify unnecessary costs in an attempt to counter the depressed state of the market and lower volumes.

Retail sentiment changes for better

BDAY 31/3/93. (30)

LINDA ENSOR

CAPE TOWN — Sentiment among retailers had changed significantly for the better in the first quarter, reflecting the improvement in trading conditions, Stellenbosch University's Bureau for Economic Research (BER) director Ockie Stuart said in a survey of trends in the retail, wholesale and motor dealing sectors.

However, there was no let-up in the rate of decline in retail employment levels, although there had been a slowdown in the wholesale sector.

Most retailers surveyed reported an increase in sales in the first quarter of 1993 relative to the fourth quarter of 1992. However, sales volumes in the non-durable goods sector, particularly beverages, were disappointing and Stuart attributed this to the burgeoning growth of informal traders in CBDs.

A net majority of 15% of retailers expected sales to improve in the second quarter, with optimistic expectations prevailing in the semi-durable goods sector, specifically ladies' clothing, footwear, books, stationery, sports goods and ammunition. Retailers of electronic equipment were highly optimistic.

Most retailers experienced more orders in the first quarter than a year ago and apart from the durable sector where prospects looked grim, they expected this trend to continue in the second quarter.

Business confidence in the sector deteriorated slightly, a trend Stuart attributed to sales expectations not being fully realised, smaller profit margins due to lower price increases, increased unemployment, high stock levels as a result of insufficient demand and the length of the recession. Confidence was highest in Natal and Southern Transvaal and lowest in the Western Cape.

The level of wholesale sales volumes declined in the first quarter though this was lower than expected. Stuart said this indicated that conditions were bottoming out. Wholesalers were more optimistic about sales for the second quarter, especially in those sectors related to agriculture. Confidence strengthened in the first quarter relative to the fourth quarter of last year, especially in rural areas.

A majority of motor dealers reported a decline in volume sales in the first quarter while second hand car dealers indicated a slight dip in sales. Spare parts dealers reported satisfactory sales.

Stuart said expectations for the second quarter signalled a bottoming out of conditions in the motor trade, a trend confirmed by the fact that the majority of motor dealers expected more orders in the second quarter than a year ago. Business confidence in the sector improved and was highest in the Northern Transvaal and rural areas. Both retailers and wholesalers reported a relative increase in the ratio of cash to credit sales. This reflected pressure on consumer finances and the adoption of a more disciplined approach to credit.

He said both retailers and wholesalers expected lower purchase prices in the second quarter, but unlike wholesalers more retailers expected their selling price increases to accelerate, presumably as the budgetary tax increases took effect.

Bergers going to market

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LINDA ENSOR

CAPE TOWN — The Bergers group, which skidded badly into the red in the year to end-December with a loss of 7,7c a share, compared with a profit previously of 6,2c, is to go to the market to raise R35m.

Bergers Trading Holdings (Bertrad) hopes to raise R18m by means of a renounceable rights offer, while parent company Bergers Group intends to raise R17m to follow its rights in the Bertrad offer.

Executive chairman Howard Mauerberger said yesterday the funds raised would increase the capital base of the group, reduce gearing and provide for future growth. An announcement on the terms of the offers would be made shortly.

With an onerous interest burden and a gearing which increased to 119% (86%) during the 1992 year, the group needs to recapitalise.

Mauerberger said major institutions and other investors had indicated they intended to follow their rights in the offer.

Payment of dividends by Bertrad and Bergers has been waived.

An aggressive approach to stock reduction by means of markdowns and write-offs cost the group R8m and contributed to the sharp fall in operating profit to R425 000 (R11,6m) on a 1% rise in turnover to R166,7m (R165m). The real decline in turnover was produced on a larger number of stores, an indication, Mauerberger said, of the tough trading conditions.

MD Mervyn Jacobson said carry-over stock was reduced by about R10m over the year to improve cash flow and get rid of surpluses. Heavy discounts were introduced to protect the group's market share.

All the chains in the group — Bergers, Weiner and Jones — had performed negatively and marked down heavily, Jacobson said.

With an interest bill of R6,4m (R4,8m) and an abnormal item of R1m relating to retrenchments and the closure of the Johannesburg head office of Jones, the group was deep in the red.

However, Jacobson was confident about the group returning to profitability this year, despite trading conditions remaining harsh.

Parent company Bergers, which has a 94% interest in Bertrad, reported a loss of 30,8c a share (24,5c profit).

BD 31/3/93

Metair, Toyota labour action holds back Wesco

BDM 31/3/93.

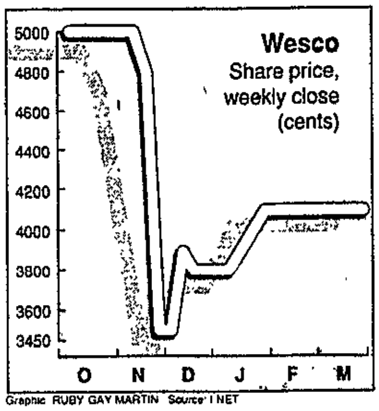
EDWARD WEST

LABOUR unrest at Toyota SA and Metair reduced holding company Wesco Investments' earnings a share by more than two-thirds to 261c (714c) in the year to end-December 1992.

Wesco, which derives most of its income from a 50% stake in Toyota SA and 42% of the motor component manufacturer Metair, maintained dividend for the year at 86c.

Turnover was R3,45bn (R3,47bn), but pre-tax income dropped by nearly half to R136,2m (R262,7m). This was caused by costs associated with the Toyota strike last year, and to a lesser degree labour stoppages at Metair, said Wesco company secretary Allan Stewart.

Tax was lower at R77,7m (R138,9m). No interest charge was disclosed. Interest bearing debt more than doubled to R493m (R239,5m) which brought gearing up to 44% from 24%. Fixed assets climbed 22% to R848,1m (R695,3m).



Graphic RUBY GAY MARTIN Source: I NET

Stewart said gearing — still at comfortable levels — periodically fluctuated because Toyota SA needed to keep its products up to date with demand for new technology.

Income before extraordinary items was sharply lower at R22m (R60m). An extraordinary item of R2,78m related to Wesco's share of income derived from Metair's sale of subsidiary Metlink to Toyota SA.

Directors reported the outlook for 1993 was not as gloomy as 1992's results which were affected by a fourth year of economic downturn, lower vehicle sales and labour disruption.

The recession would abate toward the end of 1993 and expectations of an upturn were uncertain. However, Wesco did not expect to operate in the same confrontational and hostile industrial relations environment.

At most of Wesco's companies, management and employees were engaged in serious attempts to forge better relationships at all levels, directors said. Toyota SA was working toward increased market share.

Metair's subsidiaries should also perform better in 1993 and directors expected a gradual return to previous profit levels.

Bergers going to market

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BDM 31/3/93

Silveroak takes severe tanning

DUMA GQUBULE

LEATHER tanner and manufacturer Silveroak Industries reported a 72% drop in attributable income to R1,9m (R6,8m) on an 11% advance in turnover to R96,9m (R87,7m) for the half-year ended December.

This was equivalent to earnings of 12,3c (38,1c) a share. The company did not declare an interim dividend. The payout at the half-way stage last year was 16,2c a share.

MD Owen Townsley blamed the "exceptionally severe drought", which had resulted in poorer quality and lower quantities of raw material creating an over-competitive demand at higher values in spite of falling consumer demand for unfinished leather. Margins were squeezed and operating income dropped by almost half to R5,4m from R10,4m.

Finance costs fell to R1,7m (R2,6m) and pre-tax income was down 52% to R3,7m (R7,8m). BDM 31/3/93.

Pressure on margins would continue until a freer and more transparent marketing system had been established, Townsley said. The second half of the year was unlikely to show much improvement.

Retail sales show fair improvement

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CT 31/3/93

Business Editor

RETAIL sales throughout SA have improved in the first quarter of this year — particularly in furniture and household appliances, office equipment, ladies' clothing, sports goods, weapons and ammunition, the Stellenbosch Bureau for Economic Research (BER) reported yesterday.

But shops selling non-durable goods, particularly beverages, may have been hit by competition from informal traders.

The BER points out that a possible explanation for disappointing sales in this sector is "the fast-changing nature of trade in SA.

"In many towns and cities informal traders are doing business in central business districts which were previously out of bounds."

However, BER director Ockie Stuart says in his report:"A net majority of 15% of the retailers expect sales to improve in the second quarter.

"Expectations are particularly optimistic in the semi-durable goods sector — more specifically ladies' clothing, footwear, books and stationery as well as sports goods and ammunition.

"In the durable sector retailers in electronic equipment are highly optimistic."

He says wholesalers are also more optimistic about sales for the second quarter of this year, particularly in sectors related to agriculture.

"This will filter through to other sectors as well. Expectations are also better in the consumer goods sector."

Stuart says both retailers and wholesalers reported that the ratio of cash to credit sales increased in relative terms during the first quarter.

"This is an indication of the degree to which consumer finances are under pressure. Consumers are consolidating their debt situation and are taking a more disciplined approach in the use of credit."

Stuart says the survey figures imply that more retrenchments took place in the first quarter of this year.

"Unemployment will remain a pressing problem for some time to come, especially because the business community does not always re-employ retrenched labour once the recession has subsided. Employment will therefore recover slowly as the level of business confidence improves."

And the survey shows that although sales volumes improved in the Western Province in the first quarter business confidence here is the lowest in the country "largely because retailers failed to realise their expectations."