COMMERCE — GENERAL
1993

AUG — DEC

Wooltru sitting on a fortune

(Times (Buss) 22/8/93

By JEREMY WOODS

BEHIND Wooltru Group's sparkling results for the year to June lies R500-million of property potential that could boost pre-tax profit by R100-million.

Wooltru's net profit rose 67%, earnings a share were up by 62% and the dividend was raised 18%.

In spite of tough trading conditions, huge cash flows enabled management to slash borrowings by R100-million, leaving gearing at slightly more than 20% in the past year.

Chief executive Colin Hall says: "We have shown we can get good returns from our trading assets. Fixed properties give us much smaller returns."

Asked if Wooltru's money would not be better invested in trading assets than property, Mr Hall says: "It makes sense to sell the properties to institutions. They have a better tax situation on properties."

Property has been valued conservatively by Wooltru directors at R400-million, but analysts say the true figure is closer to R500-million.

Mr Hall says Wooltru earns a single-figure percentage return on its property, but profit on trading assets can "exceed 30%".

"We have proved we can make money from shopkeeping and now we have a broad range of trading assets and businesses in which we can invest confidently."

Questioned about the possibility of selling property and investing the proceeds in the trading side of the business, Mr Hall says: "It would make a lot of sense for the group to go that route in time.

"If we do, property sales could boost profits by about R100-million."

Specialty Retail Group again produced fine results with a 28% profit increase on a 17% lift in sales to R760-million.

Control of expenses, markdowns and debtors resulted in Truworths improving pre-tax profit by 27%. Topics, which has recently refurbished many stores, increased profit by 71%.

Woolworths made "significant progress" in restoring profitability and profits jumped 71% on sales 10% higher at R1,9-billion.

The group says: "Woolworths is well placed to recapture its dominant market position and dominant values."

Massmart halted the previous year's decline and sales rose by 10% to R2,6-billion.

Makro profits jumped 194% on a 13% sales growth.

The board says a recovery in the economy looks uncertain and that the political environment makes forecasting for the year ahead "particularly difficult".

But in the absence of political upheaval, group profit growth should be satisfactory.

Wooltru boosts income 62 percent

BY MARC HASENFUSS

Cape Town — Blue chip retailer Wooltru beat market expectations to post a 62 percent gain in net income to R149 million in the year to end June. Star

The surge, although off a low base, was surprising in light of the group's modest 17 percent profit recovery at the interim stage.

Chief executive Colin Hall attributes the strong showing to improved operating efficiency in all operations.

Mark-ups and expenses were kept to a minimum and cash flows from all the businesses were strong, he says.

Earnings a share came in at a record 425,4c, from which a final dividend of 123c has been declared, bringing the total payout for the year to 200c a share, covered 1,5 times. 20/8/93

Group turnover came in 46 percent higher at R5,56 billion, while operating profit rose 50 percent to R248 million.

Hall says the Speciality Retail Group had another "stunning" year and again achieved the best return on sales. 30

The division, comprising Truworths and Topics, recorded a 28 percent increase in pre-tax profit on a 17 percent increase in sales to R760 million.

He says Woolworths has turned around, achieving a 71 percent increase in pre-tax profit from a slim 10 percent increase in turnover to R1,96 billion.

Massmart reversed the previous year's profit decline, with pre-tax profit rocketing 200 percent off a 10 percent rise in turnover to R2,6 billion in the period under review.

Shield Trading beat profit expectations, recording a 21 percent growth at pre-tax level, despite subdued sales.

Shield was mainly responsible for the additional R190 million debt in Wooltru's balance sheet.

Massmart's liquor subsidiary was the only blemish on results.

Wooltru 'on track for a modest year'

B/Day 14/10/93

LINDA ENSOR

CAPE TOWN — Wooltru's sales growth of 10% for the first three months of the current financial year was slightly behind budget but if maintained for the full year would result in a modest annual profit increase, outgoing chairman David Susman said at the group's annual meeting yesterday.

It was the last meeting to be chaired by Susman, who has been with the group for 41 years.

New chairman Henri Kuiper announced that Susman had been elected group president in honour of his service.

Susman said the economy showed no signs of any significant recovery, but continued tight control of costs and stock levels would provide higher overall profitability for the group.

"We are glad to confirm our long established belief that an efficient business demands planning and investment for the long term and responsive and detailed management for the short term.

(30)

"Should the present pattern of trading continue through the critical Christmas trading period, we expect a modest increase in profit for the full financial year."

CE Colin Hall stressed in an interview that spending at Christmas would depend on consumer confidence which was quite fragile.

However, Wooltru had "tightened down the hatches" and had achieved good productivity and a good control of the business.

Hall emphasised that Wooltru was not sacrificing long-term planning for short-term gains.

Susman said that when he joined Wooltru in 1952 the share price of R1,23 then was almost the same as the group's final dividend last year. He said he felt fortunate to retire when profits, dividends and the share price were at an almost record high level.

He was convinced that the group had great potential to substantially improve profitability.

Wooltru budgets R164m for capital investments

BDay 6/10/93

LINDA ENSOR

CAPE TOWN — Wooltru has budgeted R164m for capital investments in the year to June 1994, excluding the R121m allocated for the acquisition of the Dion retail chain. Capital commitments amounted to R239,4m in the previous financial year.

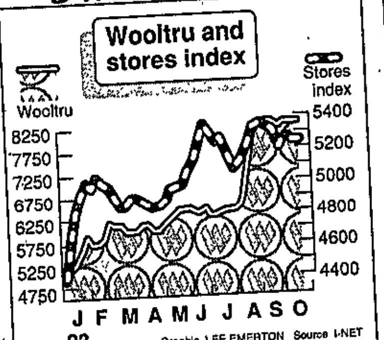
In addition, the retail and wholesale group is planning to improve its exposure to the black, lower income market. Whereas this market represented 56% of sales, Wooltru plans to increase this figure to 70% and to reduce the mainly white and upper income share to 30% (40%).

Financial director Jon Lavies said in the retail and wholesale group's 1993 annual report that the capital programme could be financed comfortably by the group's cash flow and borrowing capacity — gearing at year-end stood at 20%.

Capex during the past three years in the Woolworths chain alone totalled about R280m with an additional R85m to be spent this year.

CE Colin Hall said the group was expecting tough trading conditions in the year ahead.

"Our budgets are therefore based upon conservative turnover increases while the costs remain high as we continue to fund the future well being of the business from the revenue account as well as the capital account. We confidently expect an improvement in productivity, with a consequent improvement in profitability," Hall said.



Graphic LEE EMERTON Source I-NET

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Last year Wooltru produced a 62% rise in earnings a share to 425c (263c) on a 46% turnover increase to R5,6bn (R3,8bn).

Wooltru aimed to generate 40% (38% last year) of its total turnover in future from clothing and textiles, 40% (48%) from food and groceries, 5% (5%) from liquor and 15% (9%) from general merchandise.

The group's objective was to achieve an overall return on equity of above 35% (25%), to increase Woolworths return to about 40% (20%) and Massmart's to about 35% (23%) while maintaining Speciality Retail Group's (SRG) at 35% or more.

WOOLTRU

A return to old objectives

FM 8/10/93

Activities: *Retailer of food and general merchandise.*
Control: *Widely held by institutions.*
Chairman: *D Susman; CE: C Hall.*
Capital structure: *34,9m ords. Market capitalisation: R36m.*
Share market: *Price: 8 700c. Yields: 2,3% on dividend; 4,9% on earnings; p:e ratio, 20,5; cover, 2,1. 12-month high, 8 700c; low, 4 500c. Trading volume last quarter, 242 000 shares.*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	9,4	7,0	46,2	23,9
LT debt (Rm)	155,2	278,6	214,8	143,4
Debt:equity ratio	0,23	0,36	0,28	0,15
Shareholders' interest	0,49	0,47	0,52	0,47
Int & leasing cover	10,8	9,3	4,8	15,7
Return on cap (%)	23,6	19,8	13,6	14,4
Turnover (Rbn)	2,7	3,3	3,8	5,6
Pre-int profit (Rm)	274	300	209	265
Pre-int margin (%)	10,1	9,1	5,5	4,8
Earnings (c)	375,4	422	263,2	425
Dividends (c)	150	170	170	200
Tangible NAV (c)	1 636	2 001	2 218	2 359

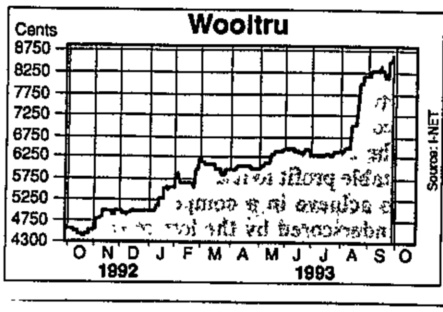
A year ago (*Leaders* October 9) the *FM* described Wooltru's 1992 performance as one of the worst in its history. The year before, we accused the board of taking a defensive posture in relation to the perception the group had run into difficulties.

The share price slumped over 1992 to R41 after a catastrophic 38% fall in earnings to 263c. The maintained dividend was small consolation to investors taken aback by the size of Wooltru's absolute decline.

Clearly, a year is a long time in business. The change in fortunes has been almost as dramatic as the fall from grace: sales soared 46% to R5,6bn, EPS 62% to 425c. It's hardly surprising CE Colin Hall is so chipper about the performance.

Four aspects of the group deserve special mention. First is that it is an exceptionally strong cash generator. In 1993, it produced R404,4m, 15% more than in 1992. Then there's sheer diversity: it is prominent in about 14 major economic sectors and, since the acquisition of Dion, has become the biggest retailer of general merchandise.

Hall believes the introduction of the Woolworths charge card will dramatically boost profitability. "Its influence on our western Cape operation has been startling," he says:



Hall ... *feeling pretty chipper*

"at least 50% better than our projections." The charge card is being financed by a commercial bank — Hall won't say which. Consumers receive 30-55 days' free credit (depending on when the purchase is made); subsequently, interest is charged at 2% below the card rate — 22%.

Finally, there's the move to what Hall calls "third wave retailing: essentially hi-tech, database marketing." Of course, this is a belated response to earlier tardiness in keeping apace with international trends in information technology and systems.

The truth is Wooltru's data bases were hopelessly inadequate; in the circumstances it's hardly surprising that Hall and his fellow executives were allowed to commit huge sums to repairing this deficiency. Now, however, the group stands poised to reap the rewards: Hall claims it will have SA's most comprehensive customer database.

Wooltru has three main trading operations and two service divisions. Unfortunately, it doesn't disclose divisional profit figures; nevertheless, the report reveals a 71% increase in Woolworths' profits. Speciality Retail (Truworths, Daniel Hechter and Topics) improved profits 28%; the report is notably silent on Massmart's earnings. Suggestions that the R96m Massmart paid for Dion was excessive are dismissed by Hall: "On our figures we paid five times after-tax earnings. We thought that reasonable."

Hall's CE report includes some apparently boring statistics. They are anything but. One section reveals Wooltru's ultimate intention: in the belief the black and lower income market (what it calls new main market) will grow faster in both absolute numbers and

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spending power, the focus is on changing its sales demography from the present 44% by whites (R2,4bn in 1993) to 30%. That means Hall is planning for 70% of customers (56%, R3,1bn in 1993) eventually to come from the new main market.

The counter has appreciated 93% in a year. To some degree, the results vindicate increasing investor confidence, though I am disappointed the dividend increase is so far out of line with EPS (Hall says it's more a function of what it needs to keep for future capex than any decision on cover multiple).

The directors seem determined Wooltru will be the premier retail conglomerate for the foreseeable future. This new-found sense of an old purpose makes it a worthwhile asset in soundly based portfolios. *David Gleason*

Wooltru bounces back with earnings up 62%

(30) CT 20/8/93

By AUDREY D'ANGELO
Business Editor

WOOLTRU bounced back even more strongly than the market expected, in the year to March 30, with a 62% rise in earnings at share level to 425,4c compared with 263,3c last year.

The final dividend is 123c a share compared with 93c last year. This brings the total pay-out for the year to 200c a share compared with 170c.

This was achieved on a 46% rise in sales, to R5,5bn (R3,8bn). Net income after tax is 67% higher at R154,4m (R92,4m).

The tax bill rose to R93,2m (R72,3m). But the interest bill dropped to R45,2m from R67,5m. Interest received rose to R28,4m from R23,7m.

The net asset value per share rose to 2 359c (2 218c).

The Speciality Retail Group, containing retail fashion chains which sell on credit, reported a 28% rise in profit before tax. This was achieved on a 17% increase in sales to R760m. Truworths lifted profit before tax by 27% and Topics by 71%.

Woolworths — which had become the Cinderella of the group — made a dramatic comeback by lifting pre-tax profit by 71% on a 10% rise in sales to R1,96bn.

No indication is given of how much comes from food and how much from clothes. But historically food has accounted for about one-third of sales.

The directors say the profit gains "reflect the benefits from the substantial investment in people and systems. Woolworths is well placed to recapture its dominant market position and traditional values."

Wooltru CE Colin Hall said yesterday that Woolworths' return to the policy of keeping prices down by ordering long production runs of classic clothing styles "in which people feel comfortable" had helped its success. And the fashions were better this year.

Massmart lifted profits by 194%. On a strictly comparable basis with last year, excluding the Shield franchise group and Drop Inn liquor chain, sales grew by 10% to R2 600m. But including Shield and Drop Inn sales grew by 13%.

Hall said there had been no sign, at retail level, of any improvement in the economy.

The purchasing power of the middle income group, who were Woolworths' target market, had been eroded. Unemployment had a noticeable effect on sales.

"It has affected people of all races. Even those who have jobs seem cautious about spending. And with inflation going down there is no urge to buy now, before prices go up.

"Violence definitely discourages people from going out to shop. We have noticed it in different areas in turn."

He said Woolworths was likely to be affected, for the foreseeable future, by competition from the informal sector.

But the introduction of its new shopping card, giving people up to 55 days free credit and charging a lower rate of interest than a bank card, was expected to increase sales.

Banking on it

AN unnamed bank will meet the costs of Woolworths' new credit operation.

CE Colin Hall said in an interview yesterday that the costs of giving credit would not have to be built into Woolworths' prices "because it will cost us nothing."

The bank — which, he said, did not want to be named — would pay Woolworths the day after the purchase without deducting the usual commission when a credit card is used. And it would administer the card system.

Susman to retire

WOOLTRU chairman David Susman will retire in October after 41 years with the group. He will be succeeded by Henri Kuiper, who has been a member of the board since 1981.

Ernst Loebenberg, associated first with Woolworths and then as a board member of Wooltru for 57 years, will also retire in October. But he will serve on the boards of Massmart and Wooltru Properties.

Louise Tager and David Lubner have been appointed to the Wooltru board.

Resurgent Wooltru earnings up 62%

B/Day 20/8/93

LINDA ENSOR

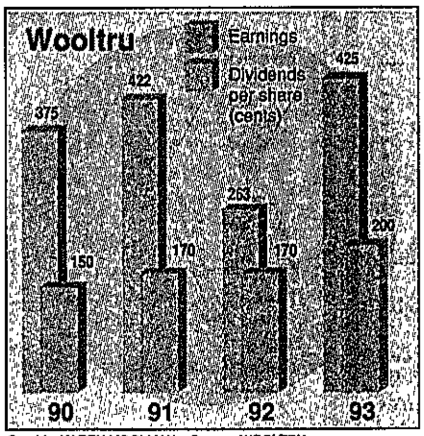
CAPE TOWN — Retailing and wholesaling group Wooltru exceeded expectations with a 62% increase in earnings a share in the year to end-June, benefiting from the acquisition of Shield and Drop Inn, improved efficiencies and a lower tax rate.

This was a strong turnaround from last year's 38% earnings decline. (30)

Despite harsh trading conditions, earnings a share grew to 425,4c (263,3c) and an 18% higher total dividend of 200c (170c) was declared after a final dividend of 123c (93c) a share.

CE Colin Hall said there had been a substantial improvement in markdowns and shrinkage in the Woolworths and Massmart chains, while Specialty Retail Group (SRG) — which consists of the Truworths and Topics chains — improved market share and continued to control markdowns and expenses.

Turnover rose 46% to R5,56bn (R3,8bn), although if sales of Shield and Drop Inn were excluded, sales growth was 13%. SRG's sales increased 17% to R760m, Woolworths' by 10% to R1,96bn and Massmart's by 10% to R2,6bn. Makro notched up a 13% sales growth.



Graphic: KAREN MOOLMAN Source. WOOLTRU

The operating margin edged up to 4,45% (4,33%), contributing to the 50% growth in pre-tax income to R247,6m (R164,7m). SRG's pre-tax profit rose 28%, with that of Truworths rising 27% and Topics 71%.

Hall said the customer base of Tru-

☐ To Page 2

Wooltru

B/Day 20/8/93

☐ From Page 1

worths, the group's largest single profit contributor, had been extended significantly and sales from the emergent market were contributing about a third of all the chain's business. (30)

Woolworths' pre-tax profit increased 71% owing to tight control of expenses, a reduction in markdowns and improved stock management. The announced introduction of a credit card would spur the chain's growth, he said.

Makro reversed its profit decline by producing a 194% growth in pre-tax profits, with Shield showing a better than expected rise of 21%. Since year-end, Makro had bought Dion for R95m, opening the way for substantial synergies with Massmart and broader market penetration.

The tax rate fell to 37,6% (43,9%) and the group also benefited from the saving of secondary tax on companies on the interim dividend. After-tax income showed a 62% rise to R148,6m (R91,9m).

The balance sheet strengthened, with R94m being slashed from borrowings, bringing gearing down to 20,3% (33,7%), which Hall said had increased the group's capacity for new investments.

Bank balances and cash amounted to R33,6m (R39,9m) at year-end and growth in stocks was R341,4m (R334,9m). The rise in debtors to R499m (R303,6m) was as a result of the acquisition of Shield. Net asset value increased 6,4% to 2359c (2218c).

Hall said it was difficult to make predictions for the year ahead, but he expected Wooltru to produce an earnings growth above the inflation rate.

WOOLTRU FM 27/8/93

Back in favour

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Not even the most optimistic forecasters could have called confidently for a pre-tax profit increase anywhere near as large as the 50% achieved by Wooltru for the year to

FM 27/8/93

June 30. Still, once again, the stock market seems to have got wind of the progress the group was making. Wooltru shares, out of favour a year ago after having tumbled from a high of R84,25 in May 1991 to a low last August of R41, are back to R80.

It's a great recovery from a group that was perceived to have a chronically ill division (Woolworths) and another division (Makro) that was consuming large capital development expenditure but showing only a comparatively small profit contribution.

Stringent cost controls

Woolworths' sales in late 1991 and early 1992 involved big markdowns and heavy write-offs to liquidate redundant stock. Hefty redundancies are reputed to be saving the organisation as much as R8m a year. A stringent cost control programme was instituted by Woolworths MD Syd Muller and his new team to revitalise the company.

A marketing programme, which encompassed an extensive advertising campaign to let consumers know that Woolworths' merchandise was back to basics again, was instituted, as was careful husbandry of working capital. Results indicate this strategy has paid off.

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Though Woolworths has not regained its place as the main profit contributor to Wooltru, it lifted pre-tax profit by 71% on a turnover advance of 10%, to R1,96bn. Granted, the profit has risen off last year's low base, but the sales increase in this economy is commendable — especially as it's a cash business.

Specialty Retail Group, including Truworths, Topics and Daniel Hechter, improved sales by 17% to R760m. It again improved efficiencies. Pre-tax profit rose 28%, reflecting tight expense and stock control and good management of the large debtors' book.

Massmart, incorporating Makro and

Wooltru CE Colin Hall ... *a strong recovery*

FM 27/8/93

Shield Trading, reversed last year's profit decline. Makro saw a R14m turnaround in operating profit contribution from its three new stores, as total sales grew 13%. The food component advanced by 16%. Expenses and stock were kept to the minimum, shrinkage was confined to 0,72%, and margin firmed throughout the year, reportedly because of better buying. Shield increased profit off low sales growth, as non-profit merchandise was eliminated and bad debt held to 0,12%.

Drop Inn, the newly acquired Cape-based liquor retailing chain, lost R1,2m after substantial expenditure on systems.

Impressive as Wooltru's profit and turnover gains are, 1993 EPS are no higher than in 1991. However, the stock market is evidently delighted. It values the shares on a p:e of 18,8, the same as two years ago, before the price crashed. But this time there is, in Woolworths especially, a chastened, more motivated and less blase management to ensure solid earnings growth continues.

After year-end, the R600m-turnover Dion chain was bought, apparently on a p:e of 7,0, for R95m. This should help support earnings, especially if the credit card idea being introduced in Woolworths is also extended into that chain.

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Excitement is again entering the group. At an earnings multiple close to the retail sector average, the share may not be unduly expensive provided the market holds up.

Gerald Hirshon

Woolworths joins the club and will offer charge cards

Star 29/12/93

BY DEREK TOMMEY

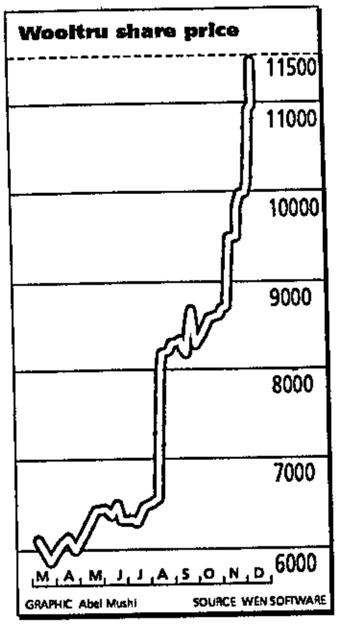
It will please many wives but will make their husbands groan. It has already made a number of investors substantially richer — as the accompanying graph shows.

The cause of these developments is the plan by leading textiles, clothing and foodstuffs chain store Woolworths to allow its Transvaal customers to buy on credit.

Deputy managing director Brian Frost confirmed last night that Woolworths would be inviting Transvaal shoppers to apply for Woolworths charge cards within the next month or so.

The move follows the introduction on a pilot basis of a charge card project in the Western Cape which "we are sufficiently satisfied with to continue," he said.

Frost may be underplaying the importance which the introduction of the credit card could have on Woolworths. According to unconfirmed market reports the use of the card boosted turnover by 55 percent in the Western Cape, but Frost refused to comment on this.



But Wooltru group's chief executive, Colin Hall, was forecasting in August that the introduction of the charge card would dramatically boost profitability, adding that its influence on the company's Western Cape operation had been startling.

Chart watchers will not fail to note that the rocket-like rise in Wooltru's share price began shortly after he made this statement.

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At that time Wooltru's shares were trading at around R65. Since then they have risen almost 80 percent to reach R115 last night — and the only sellers were at R125.

The rise in the share price is probably not entirely the result of Woolworth's decision to introduce a credit card. Other divisions in the group such as Truworths have also been doing well.

Share price

But when retiring chairman David Susman forecast just two-and-a-half months ago that profits in the current financial year are likely to rise only moderately, then one must look for reasons other than normal trading conditions for the share price rise.

The fact is it is the retailers who have been able to offer credit facilities who have done best in the recession.

Hymie Silbul, chief executive of Prefcor, which operates Beares, Game and other retail groups, emphasised this only a few weeks ago when he said that in today's trading conditions credit was king.

Retailers point out that by introducing credit cards, Wooltru could gain business from the Stuttafords, John Orr and Greatermans group, all of which have their own credit facilities.

At present Woolworths is at a disadvantage to these stores in the period towards the end of the month when buyers tend to run out of cash and, unless they possess a bank charge card, can buy on credit only at these stores. The introduction of the charge card should change this.

Administration

Woolworths is not handling the administration of the cards itself. This is being undertaken by a banking institution. Credit limits will depend on the credit-worthiness of the applicant for the card. Card-users who pay off their debts within the due date will not be charged interest.

Meanwhile buyers accummulating cash for Woolworths' traditional New Year sale will be disappointed. There won't be one. But buyers can rest assured that there will be one later in the year, said Frost.

Downturn shows in Pep results

B/Day 19/10/93

LINDA ENSOR

CAPE TOWN — The downturn, deflation and socio-political instability took their toll on Pep's results in the six months to end-August with the clothing manufacturer and retail chain suffering a 5% decline in earnings a share.

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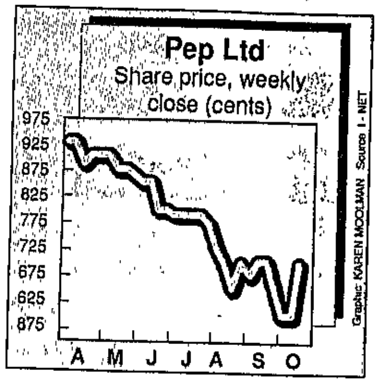
However, a 7% higher dividend of 8c (7,5c) a share was declared on earnings of 17,9c (18,9c) due to reduced dividend cover of 2,2 (2,5) times. Pep traditionally contributes most to Pepkor group earnings.

Deteriorated market conditions saw turnover decline in real terms though, nominally, sales were maintained at about R653m. This was mainly due to the decline in turnover at Pep Manufacturing, to the sale of Frasers retail shops and to a number of Pep Stores being in troubled areas.

The differential between the fall in consumer inflation and the fall in cost inflation constrained sales growth and put pressure on the operating margin which fell to 10,4% (11,8%) and resulted in a 12% drop in operating profit to R67,8m (R76,9m).

Pep vice-chairman Arnold Louw said prices could not be increased higher than the rate of internal purchasing inflation which was running at about 5% whereas cost increases were between 10% and 12%.

Louw said Pep had maintained its market share over the year with the number of shoppers increasing 10% but the value of purchases per customer fell 5%.



Large cash inflows saw finance charges cut by 83% to R1,7m (R9,8m) due to the decline in interest bearing debt to R9,7m (R40m) and this reined in pre-tax profit decline to 1%, a gain offset by the rise in the tax rate to 35,4% (33,7%).

Poor performance led to the closure of 12 stores, while 28 new outlets were opened, bringing the total to 1 078.

The 42-store associated Scottish chain, Your More Store, made a R6m loss but was expected to break even in the next six months. Pep Botswana increased turnover by 17% and earnings a share by 8%.

Pep chairman Christo Wiese forecast earnings equal to those of the previous year. In the year to end-February Pep's earnings a share rose 1% to 43,2c (42,8c).

SOUTH 23/1-27/1/93.

Trouble brewing over sorghum

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AN OLD apartheid law is being used to quash the huge success of a sorghum beer brewery in Mfuleni.

The Mfuleni brewery, a division of National Sorghum Breweries which has 19 production points countrywide, has encountered resistance to their expansion beyond Cape townships.

Police in the Western Cape have come down hard on shop owners who sell the low-alcohol beer in mainly white areas.

According to the Sorghum Beer Act of 1962, the sale of sorghum beer is only allowed in African areas determined by the Group Areas Act.

In February 1991, when the Group Areas Act was scrapped, a number of general dealers operating in traditionally white areas started selling the yeasty brew — with fairy-tale success.

But according to shop owners across the Western Cape, police have gone out of their way to enforce the outdated legislation, especially in the peak selling months of October to December.

Mr Flountino de Freitas, a cafe owner in Paarl who was fined R100 for selling the beer, says: "They have really tried to make me feel like a criminal. They took my fingerprints and made me appear in court as if I had killed someone."

"I thought apartheid was supposed to be over."

Mr Alindo Pestane, from Agter Paarl, told SOUTH that police came into his shop every day for a week late last year, to see whether he was selling the beer.

"I am losing a lot of money because the stuff was so popular here. I used to sell about 630 litres a week, but now the police make sure I don't," Pestane said.

The beer's alcohol content of only three percent puts it outside the scope of the Liquor Act. But this has not stopped police from using this slice of legislation as well.

Seven other cafe-owners told SOUTH that they have been hounded by police in terms of the Liquor Act. Even though the beer is legally defined as a foodstuff, police have treated it as liquor.

Police spokesperson, Captain Ciska du Plessis, maintained that sorghum beer "is classified as liquor".

However, he admitted that this would only be true when the relevant section of the act has been amended.

"People selling sorghum beer after this section has been promulgated will require the necessary liquor license," Du Plessis said.

But in the meantime, not only the shop owners are losing out, the brewery itself is taking most of the financial knocks.

Mr Mkuseli Nyewe, sales manager for the Mfuleni brewery, said the harassment has crushed immediate plans for extending the plant, which would have provided employment for another 30 people.

The 90 person workforce at present is drawn entirely from Mfuleni and its squatter camp.

In a community where there is no electricity or hot water, the business serves as a necessary boost to the area's development.

"We own the only factory in Mfuleni and for many people it is like a home to them. Our workers often come in on weekends because our facilities are always open to them, like showers for instance."

Nyewe said the company will seek legal advice to stop the harassment. — **Quentin Wilson**

Three firms with concrete proposals

Star 27/1/93 (30)

Three companies have been formed by PPC to assist the construction industry with new building systems, cement products and methods to reduce building costs.

"Each building site in South Africa is a learning experience because no two buildings are identical," says PPC managing director John Gomersall.

"By providing the industry with high-quality, mass-produced products we hope to cut building costs and construction time while increasing quality and efficiency for the end user. This is the route taken by First World countries such as France and Germany and one which we must follow if we are to maintain high standards. PPC does not wish to compete with its customers. We have no long-term plans to manufacture concrete products, but rather to be a catalyst."

Test of time ... Preslabs on the Rosebank Court project in Oxford Road.

PPB-SA

Despite the recession and the dearth of building contracts, new companies with labour-saving ideas coupled with quality control can and do flourish.

One such company is PPB-SA, jointly owned by PPC and the French concrete company, Cedest. The venture was established to manufacture under licence a range of integrated prestressed concrete structural components for the construction industry.

The components can be used on their own or can be combined with others for any number of applications and this flexibility has gained wide acceptance from architects, consultants and the contractors

The present range of products includes the prestressed beam and block system, the "preslab" and rectangular beams.

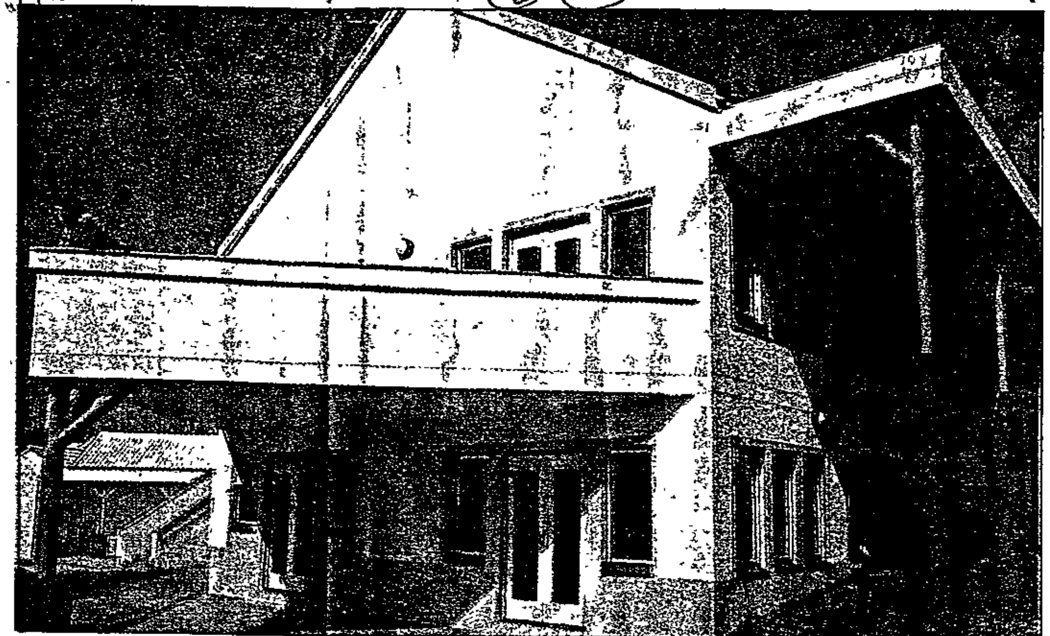
The floor beam and block system has been used extensively in the domestic market and in office blocks.

The preslab is particularly suitable if minimal or no propping is required A propless preslab of 120 mm is commonly supplied to the townhouse market. According to managing director Andy Dutfield this product has created great interest in the market as the width of the preslab means fewer joints and faster erection.

"The manufacturing process is extremely flexible, as odd shapes, additional reinforcing steel, boxouts and cast-in services can be accommodated." Referring to the rectangular beams, he said "On an office project recently undertaken, the floor over the parking level was constructed using rectangular beams spanning the nine metres at 2,5 metre centres with the preslab acting as a permanent shutter for the topping concrete. Props were only required under the beams. The 360 sq m of product was erected in a day and an excellent soffit finish was achieved." The company also provides technical back-up for the design and erection of its products. The PPB R20 million factory at Olifantsfontein in Midrand, was officially opened in April last year by the French Ambassador to South Africa, Joelle Bourgois Since then the cost-effective, quality-controlled components have featured in houses, townhouses, small to large office complexes, factories, a fire station, a sports stadium, a church, a bridge over a canal, a school, the War Museum in Saxonwold and Rosebank Court opposite the Rosebank Mall in Oxford Road.

BPPB-SA is the French company's 52nd licensee but the first English-speaking country to join the fold Formed in 1960, PPB International licensees world-wide now erect 100 000 sq m of PPB structures daily

For more information, please telephone (011) 316-1540.



BETRAM

Betram was founded in 1986. For six years the company has been developing, testing and patenting an unique range of concrete window and door frame systems.

During 1991 PPC acquired a 40 percent interest in Betram. This tie-up with PPC made it possible to expand production capacity and national distribution outlets.

Betram released its door and window frame system just prior to the Interbou show, confident that it would draw a lot of interest from the building industry. The stand certainly succeeded not only in attracting people but also a bronze award for the best stand.

"We feel that the key here is its framing flexibility and that it addresses four critical issues — construction flexibility, design, installation and price," says Lukas Fourie, managing director of Betram.

"The concrete door frames are available in 12 different sizes The concrete frame windows have nine different applications, available from five different sizes. The windows can be installed horizontally or vertically, with left, right, top or bottom openers. They can be installed with aluminium or wood inserts or directly glazed in with putty or sillicone. Pre-drilled holes allow the easy installation of Betram burglar bar system or any other that may suit the designer

"The frames are provided with a factory undercoat, so that PVA or enamel may be used straight on to the surface. In recommending PVA, we take into account the home owners who can then change the colours as they change the decor. Framing should be fun and this is what we have set out to achieve with Betram frames.

"Installation is simple and a patented design allows the changing of windows in minutes. Want to change from contemporary to the cottage look? Simply take out the old frame and insert a wooden one. Each surround comes with an EPD1-1 "bubble" seal that ensures closure is water and air tight. No more rattling windows.

The main features of this system are:

- Maintenance fee and durable.
- Can be painted to suit decor both inside and outside.
- Excellent burglar-proofing system
- Cost effective — no lintels or damp course.
- Practical, easy, quick installation.
- Pre-treated for final paint finish.
- Pre-glazed inserts fitting quickly.
- Sash windows open 90 degrees for easy cleaning.
- Flexibility and individuality in design combinations.

"The fact that these systems can be installed by semi-skilled labour makes this an attractive solution in today's market. We have also seen that there is a demand for this type of product in the export market

"It is satisfying to see the interest that has been shown in our product after the six-year-old design and thought that went into the production of these systems.

"It is our policy to contribute positively to the quality of life. We therefore regard the welfare of our employees and clients as being of prime importance.

"Through generous investment in research and development we are endeavouring to contribute towards the creation of more job opportunities, higher living standards and the promotion of mutually beneficial relationships," Fourie said.

For further information, please telephone (012)-738326.

Left: Back to school . . . An attractive classroom, rapidly constructed by Zephcon in cellular, lightweight concrete.

Below left: Home sweet home . . .The Betram concrete door and window frame system, used throughout this recently built home.

ZEPHCON

Lightweight concrete has been toyed with by South Africans for many years but with little understanding of its properties and behaviour.

During its three-year existence, Randburg-based Zephcon has carried out an extensive research and development programme into cellular lightweight concrete (CLC). The company has recently been awarded the agency for Neopor, Germany, for southern Africa.

Neopor is the recognised world leader in CLC with a 20-year international track record.

The German tried-and-tested technology which Zephcon is marketing and technically supporting under licence can produce varying weights from one which is as light a pumice-stone to a weight or density only marginally less than conventional concrete.

It can also be produced in varying structural and non-structural strengths. The additive that produces the foaming agent that makes CLC is a scientifically formulated protein which is biodegradable and non-toxic.

Zephcon's general manager, Jonathan Hall says: "Lightweight concrete offers major benefits when seeking to reduce the weight of superstructures, building elements or when seeking ease of placement of concrete. In addition, the millions of discreet air bubbles permanently created in the concrete provide excellent thermal and acoustic benefits.

"It is also suitable for insulation, void-filling and trench reinstatement, particularly in roads, due to the ease of placement and because of the liquid consistency of the CLC.

"CLC is an ideal alternative to the traditional method of allowing the traffic to compact trenches before the hard top is replaced. This is one of its biggest applications in the United Kingdom."

Prefabricated reinforced panels have the advantage of being lighter and therefore easier to handle. They can be used for either outside or interior walls in single or multistorey buildings.

Other major benefits include the elimination of coarse aggregate which in some areas is prohibitively expensive or unobtainable.

Due to the amount of air in the panel, it has considerable thermal and insulation advantages. It can act as a natural air conditioner and provide sound-deadening factors. It is fire-proof and effective as a roof insulation.

Finally, the cost of using CLC compares favourably with other materials.

For further information, please telephone (011) 793-6701.

BUSINESS Investment seminar for bigger business

Investment geared for black firms

Sowetan 22/1/93

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A MAJOR INVESTMENT seminar aimed at black business will be held at the Carlton Hotel on February 23.

Sponsored jointly by *Sowetan* and a leading stockbroking company, Simpson McKie Inc, it is hoped that the seminar will attract prominent black business people in the PWV area.

This occasion is the first of its kind geared mainly to black business.

"We realised that most business seminars for blacks tend to concentrate only on small business management issues.

"Clearly there is a need to enlighten middle-income to upper-income black people about issues relating to personal investment. With this seminar we hope to empower our people with the kind of knowledge that will enable them to take advantage of the enormous opportunities of the Johannesburg Stock Exchange," says *Sowetan* day editor Thami Mazwai.

Among the speakers will be *Sowetan* Editor Aggrey Klaaste and the JSE president Roy Anderson.

HIGH HOPES

First seminar of its kind for blacks:

Bill Yeowart, partner in Simpson McKie, concurs: "The seminar is deliberately aimed at the middle-income to upper-income business person. They are the ones who are currently not catered for when occasions of this nature are organised.

"South Africa has a huge black middle-class and upper-class with lots of disposable income. But due to lack of investment information, most of their funds are not invested optimally and our objective is to correct the situation. Participants pay a R100 fee, which includes tea and lunch."

A chance to own a company

Rutec franchise to create jobs

Sowetan 22/1/93.

By Mzimkulu Malunga 30 [redacted] [redacted]

■ Entrepreneurs wanted from disadvantaged communities: [redacted]

A COMPANY manufacturing small-enterprise equipment plans a major franchising campaign which would not only enrich its own coffers but lead to the creation of hundreds of jobs.

Through its marketing arm, Work for Life, Rutec plans to sell franchises to entrepreneurs in the disadvantaged communities to open training centres for people interested in owning their own businesses.

"This is a positive affirmative action programme that is motivated by profit and private enterprise - not charity," says Rutec managing director John Dommett.

The envisaged programme starts when the entrepreneur buys a franchise from Work For Life and opens a training centre in the community he lives in.

Then Rutec will assist him with the training of instructors who will teach prospective entrepreneurs about the key dynamics of running a business - production and management.

According to Dommett, the screening process of prospective franchisees will be stern. "We will only take the best."

They will have to satisfy three major categories to qualify. One is that they should have a strong financial background and would-be franchisees should know the needs of the communities they work in.

Lastly, the franchisee should be satisfied that candidates for instructors' positions at the training centres are appropriate persons as most of the machines need people with a technical background.

Costs for starting a viable franchise range between R10 000 and R30 000, depending on the size of the community the business is aimed at serving.

Conservative projections, says Dommett, indicate that each centre, if properly run, can create about 1 640 business opportunities over a five-year period.

The target is to establish 300 centres in the next five years and it is estimated that they could generate up to half a million smaller enterprises during the same period.

All centres must be motivated by a profit incentive, emphasises Dommett. The average cost a course will be R50 and most of them will run between a day and a week.

Objectors slam proposed 10-storey Rosebank hotel

LLOYD COUTTS

A PROPOSAL for a five-star hotel adjoining the Rosebank Mall, which has the backing of the Johannesburg City Council, was severely criticised at a town planning tribunal hearing yesterday.

The tribunal is considering a council application to have the site of the proposed hotel — a narrow strip of land on the northern boundary of the mall — rezoned to allow development by the mall owners.

About 1 000 objections to the proposal, mainly on the grounds that the high-rise hotel would not be in keeping with the general character of Rosebank, have already been lodged.

The Rosebank Mall company is to buy the site from the council if its application for rezoning and development is approved. It intends erecting a 10-storey, 160-bedroom hotel in Johnson Avenue.

In its submission, the Rosebank Action Group argued that the development would set a precedent for uncontrolled high-rise development in the suburb.

Action group spokesman Laurie Starfield said the council's support for the proposal meant it had been left to Rosebank residents to fight the real developers and owners of the mall, City Centre Property Fund, which he described as "a large consortium of property developers".

The owners of the neighbouring Cradock Heights building contended that the development could destroy the character of Rosebank, and replace it with another Braamfontein or Hillbrow.

Anglo American Property Services and the Transvaal Institute of Architects also opposed the development.

Town planner John Rosmarin, for the council, said there was general consensus on the need for a hotel in Rosebank, but that the issue had been clouded by the controversy surrounding JHI House, which was erected in violation of restrictions on buildings in the suburb.

Rosmarin said there were 14 undeveloped sites in Rosebank which had rights for 10-storey buildings.

BDAY 14/1/93

Power cuts in Jo'burg

ADRIAN HADLAND

LARGE sections of Johannesburg's CBD experienced repeated power cuts yesterday afternoon, with some offices reporting significant disruptions to computer and electronic systems.

BDAY 14/1/93

The cuts were caused by a faulty cable installed after an explosion at the Fordsburg electricity substation last September, a Johannesburg City Council spokesman said.

He said the problem was fixed yesterday afternoon.

Swiss to probe Pilatus sale

IAN HOBBS

LONDON — The Swiss government, under pressure from the ANC and the UN, confirmed yesterday it would order an investigation into the R520m deal to sell 60 Pilatus PC-7 trainer aircraft to the SA Air Force.

A foreign ministry spokesman in Berne said the issue would be considered by the Federal Council, or cabinet, "in the very near future".

The spokesman said the deal between the SAAF and Pilatus Aircraft, of Staus in the west of Switzerland, had not required prior government approval under Swiss law but that international issues concerning the "intended sale" were being reconsidered.

He said it was impossible at this stage to say whether the Federal Council intended to stop the deal and whether it had the legal and political clout to do so.

A spokesman for Pilatus said the issue was "extremely sensitive" and no statement would thus be made.

UNIVEN
JAR

Beware bullish accounts

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S/Times (Buss) 10/1/93.

LUCKLESS shareholders in Hyperette, which was suspended at 10c two months ago for not producing financials, may have only a short wait before learning their fate.

The last results covered the year to July 31 1991, when losses, including extraordinary items, totalled R9,3-million from sales of R76-million.

Net current liabilities topped R7,2-million at that date, but shareholders were informed of the position only on May 12 1992 — three months beyond the JSE's time frame.

Accompanying the interim results to January 1991 were comments by chairman Hein Ehlers, who said that the foundation had been laid for the sustained profitability and growth of the company.

Those accounts were signed on May 28 1991, only two months before the close of that disastrous financial year.

It is surprising how often bullish accounts are signed by directors within weeks of the close of a financial period in which losses are incurred.

Hyperette warned shareholders in February, May and September of 1992 that proposals were under consideration.

In the May comments, Hyperette said merchant bankers were valuing the ordinary shares, and asset disposal might lead to delisting.

In an interview with another financial publication in November last year, Mr Ehlers said he hoped to publish details of a group restructure "within the week" and would publish financials by mid-December. Neither has been achieved.

Speaking to me on Tuesday from his holiday home in Plettenberg Bay, Mr Ehlers said that details of a substantial transaction awaited final approval from Absa Bank and an announcement would be made either before the end of the week or the middle of this one.

Perhaps that should also be taken with a pinch of salt, but it raises another remarkable thing — how often this company needs to be restructured. Hyperette started life on the JSE as Milly's and operated a beachfront restaurant in Cape Town.

Then, while under the control of the Bruchhausen family, it reported a profit of R151 000 for the year to June 1987 when in fact a loss of R1,2-million was made.

Unidev became a shareholder through the sale of assets for shares. By July 1989 the accumulated loss of Milly's was R14,2-million.

In August 1989, control of Milly's passed to Mr Ehlers after the company bought his Hyperette chain for shares. Since then, restructuring costs have accompanied every set of results, losses have far outweighed gains and yet the shareholders are fed bullish comment.

Hyperette made a supply and distribution agreement with Spar last March to cover its 17 Cape stores. Exactly what it operates now is hard to determine because there has been no information from the company.

It used to have Hyperette — later Kwikspar — Milly's, Bread Basket and Hoctors Meat Stores, totalling more than 30 outlets.

year in an attempt to keep the VAT · comprehensive approach to prevent

Sowetan 7/1/93

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Boosting small businesses

German organisation may open office in South Africa:

By Mzimkulu Malunga

A GERMAN organisation specialising in the enrichment of small business may open an office in South Africa.

Klaus Dienst, a representative of an organisation called Senior Experten Service (SES), comprising retired German craftsmen, paid a short visit to this country to make contact with small business.

The organisation operates in 98 developing countries and is just waiting for an invitation from South Africa's infant industries.

Funded by the German government, the SES is a nonprofit-making organisation with about 3 000 members.

South African-born Dienst said if the project gets off the ground, it will have a much greater impact than existing local organisations which comprise retired executives as opposed to craftsmen.

"My worry with retired executives who consult for small business is that they do not really understand the needs of infant enterprises," he said.

The retired technocrats are skilled in various fields, ranging from engineering, forestry, livestock breeding and construction to brewing.

Klaus Dienst

Pep earnings fall as turnover static

CT 19/10/93 (30)

Deputy Business Editor

A FURTHER deterioration in market conditions, which increased pressure on margins, saw Pep Limited's earnings drop 5% to R41,2m in the six months to end August.

The current deflationary conditions resulted in turnover remaining static at around R653,2m with operating profit down 12% at R67,8m.

Frasers

This, say the directors, was due in part to a decline in the turnover of Pep Manufacturing and a decrease in turnover as a result of the selling of the Frasers retail shops.

The interest bill however was slashed 83% to R1,6m leaving pretax profit at R66,1m, down just 1% on the corresponding period last year.

A 4% increase in taxation at R23,4m and a 61% increase in outside shareholders' interest to R1,5m saw bottom line profits down 5%, equal to earnings of 17,9c per share, on the same period last year.

In spite of this, the interim dividend was increased marginally to 8c (7,5c) a share.

During the period 28 new outlets were opened and 12 were closed due to poor performance. The directors say that the lack of property development in their target market was inhibiting expansion.

Although there had been a decline in profits, the division maintained high levels of productivity and still shows above average profitability compared to current industrial averages, say the directors.

MD T Haughton said that during the period under review, the associated company in Scotland made a loss of R6m which included the opening costs of 13 stores, bringing the total to 42.

However, the business was expected to break even in the second half and in spite of the slow economic recovery of the United Kingdom, indications were that the division will perform satisfactorily in the medium term.

Stock levels

Stock levels had been scaled down, reflecting a 3% decline in current assets on the balance sheet. During the next six months, stock levels would gradually be increased to coincide with the expected upswing, he said.

Haughton said that although economic conditions remain poor they expect trading conditions to improve marginally in the second half.

However due to the volatile sociopolitical climate, no significant improvement could be expected and the group expected to maintain earnings at the same level as last year.

Chamber of Business to back growth

(30)

Business Staff

A MOTION calling for the promotion of economic growth and job creation was today passed by an overwhelming majority during the first session of the SA Chamber of Business's annual convention. ARGT 19/10/93

The measures called for to promote economic growth include:

- An improved climate for encouraging foreign and domestic investment.
- An understanding that labour and business together must face the challenges of productivity and international competitiveness.
- A deep respect for the key role of education, training and continuous learning in developing skills required for competing in a global economy.
- Being sensitive to the needs and requirements of emerging entrepreneurs.

Pepkor 'in line to maintain earnings'

BDay LINDA ENSOR 18/10/93

CAPE TOWN — Mass clothing and food retailing group, Pepkor, was not likely to show strong earnings growth in the six months to end-August, market sources said yesterday, and in current conditions a maintenance of earnings seemed the likely outcome.

Pepkor group companies have begun publishing their results and more are due next week. The consolidated group results are due to be published next Monday. (30)

Pepkor management has said that given existing socioeconomic and political circumstances, the group would do well to maintain earnings at the interim stage. At the last interim, earnings of 27,7c were notched.

However, the group's bottom line would receive a healthy boost from investment income — at its February year-end it had bank balances and cash worth R373m.

Clothing retailer Pep Ltd — the largest contributor to group earnings — is particularly vulnerable to unrest. This is expected to have a negative effect on Pep's interim earnings. Pep's after-tax profit last year rose marginally to R99,5m.

Shoprite was expected to maintain its growth momentum despite the effects of strikes.

Smart Centre has reported a 16,7% rise in earnings a share to 7c and on Friday Cashbuild reported a 48,2% increase in earnings to 14,5c for the six months to end-August.

October 15 1993

Turnover growth buoys Cashbuild

B/Day 15/10/93

MARCIA KLEIN

CASH and carry chain Cashbuild increased its earnings by 48,2% to 14,5c (9,8c) in the six months ending August on the back of a buoyant turnover growth and a good agricultural season.

The Pepkor subsidiary, which has 80 stores selling mainly to rural traders in building materials, reported its first dip in earnings in many years at end-February. Current results place it back on its long established earnings growth pattern.

The results, the first to end-August since it changed its year-end to February, are compared with previously undisclosed results in the prior year.

CE Gerald Haumant said the 22,5% rise in turnover to R251,9m (R205,6m) represented an increase of about 10% from six additional stores in operation and 12% from existing stores.

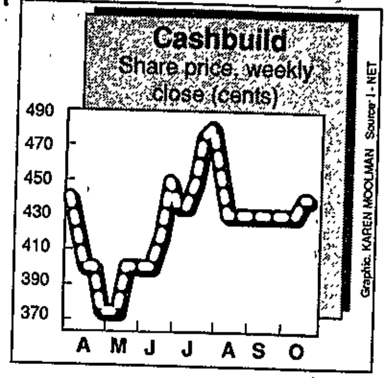
Apart from additional stores, turnover was boosted by a "good agricultural season which benefited small country merchants, peaceful political change in Lesotho and a windfall in Venda following pension payouts".

Haumant said inflation on the building materials sold by Cashbuild was in line with CPI after being 4% below CPI last year. This meant it was easier to contain cost increases, and resulted in an improvement on return on sales. Operating income improved by 91,6% to R9,8m (R5,2m).

Haumant said a substantial rise in gearing to 73% (48%) was due to short-term funding of supplier payments over the month end. This amount of R14,8m had been fully repaid by September 13, reducing gearing to 38%. Cash resources at August 28 stood at R9,7m.

After higher net financing charges there was a twofold rise in pre-tax income to R8,1m (R4m).

Taxation was higher but income after tax was up by 64,6% to R4,5m (R2,8m). Haumant said taxation in the previous period was reduced by the utilisation of assessed losses.



The rate in the current period included a provision for secondary tax on companies.

(30)

After outside shareholders' interest, attributable income was 48,2% up at R3,1m (R2,1m). An interim dividend of 5c has been declared, covered 2,4 times. No dividend was paid in the corresponding period last year due to the change in year-end.

Haumant said there was some concern that urbanisation would affect Cashbuild's largely rural-dependent business, and the lower results to end-February seemed to indicate this. But Cashbuild realised the results reflected the drought and the introduction of VAT, and there was no problem with the rural stores.

Haumant said the improved sales trend was expected to continue in the second half as stores developed in the past two years increased their contribution to profits. Earnings were thus expected to rise in the second half.

"The new store development programme, which was slowed this year, will regain its full momentum from March next year," he said. Next year Cashbuild would open about 10 to 15 stores, as it had done in the past.

Cashbuild ups earnings on better sales, profits

CT 15/10/93 (30)

Deputy Business Editor

AN improvement in both sales volumes and profit margins helped Cashbuild, the cash and carry building materials chain in the Pepkor group, lift earnings 48,2% to 14,5c a share for the six months to end August.

Turnover was up 22,5% at R251,9m (R205,6m) due to a to a reasonably good agricultural season which benefited small country merchants, the peaceful political change in Lesotho, a "windfall" in Venda following pension payouts and to the increase in the number of outlets from 74 to 80, say the directors.

An interim dividend of 5c will be paid. No dividend was paid for the corresponding period last year because of the change in year-end. Dividend cover remains unchanged at 2,4 times.

The directors said inflation on building materials sold by the group, had now "drawn level with the CPI" after running 4% below inflation last year.

This made it easier to contain cost increases and return on sales improved from 1,9% to 3,2% which is, however, still below the historical level of 4,2%.

Last year's corresponding tax charge was affected by the utilisation of tax losses. The tax rate has subsequently increased from 31% to 44%.

An increase in gearing of R12,6m — from 48% to 73% — was accompanied by a drop in interest-free liabilities of R17,5m. However about R14,8m of short-term funding of suppliers' payment over the month-end was repaid after the period under review, reducing gearing to 38%. Cash resources at August 28 totalled R9,7m.

MD Gerald Haumant forecast higher earnings in the second half.

'The State must help black small business'

South 15/10 – 19/10/93

IP 30

By Waghied Misbach

THE STATE has to intervene to assist black small business growth, said Mr Tito Mboweni, Deputy Head of the ANC's Department of Economic Planning.

"The state must remove all regulations and legal impediments to the existence of SMEs (small and medium enterprises) and by so doing free this bottled-in entrepreneurial energy of our people," Mboweni said at a Small Business Problem Solving Workshop recently.

He said SMEs played an important role in the economies of First World countries during periods of recession and could do the same for South Africa provided the correct environment was created for them.

In the seventies in the United States small business created well over 13 million jobs while the top 500 companies only created five million jobs.

He said the state should make it easier for SMEs to have access to loans from financial institutions.

"Such measures would include, for example, introducing a set of rules governing financial institutions which will remove all racial and prejudicial requirements before a loan is granted."

Criteria like being "in full employment" and having a "credit record" or operating in an "area suitable for business", discourage small businesspeople from seeking loanss, said Mboweni.

"We are not suggesting at all that loans should be carelessly and indiscriminately dished out. However, financial institutions should not demand the impossible from black businesspeople."

He suggested that a democratic state introduce a loan guarantee instrument to get around the collateral demands of financial institutions.

"Without these loans many potential businesses would not see the light of day."

The state should also, in collaboration with business organisations, provide SME training centres.

"These centres should be within easy reach and be funded by both the state and private sector."

He said the state would assist by providing subcontracts to SMEs.

This could range from state printing requirements, computer installation and servicing, canteen facilities and, in certain instances, state and parastatal bulk transportation.

This would be done with affirmative action as a guiding principle, he said.

With sanctions being lifted, it would be expected that the World Bank's financing facilities for SMEs would become available.

The state would assist in getting funding from the International Finance Corporation (a branch of the World Bank) and the African Finance Development Trust.

TITO MBOWENI

Lower tax improves clothing retailer's profit

BIDAY 14/10/93

MARCIA KLEIN

CLOTHING retailer Smart Centre reported a 16,7% rise in earnings to 7c (6c) a share in the six months ending August, as the effects of poor trading conditions were partly offset by a lower company tax rate.

The company, which has 143 stores trading as Smart Centre, Patrick Daniel, Martins and Kappa, reported an 11,5% rise in turnover to R89,6m (R80,3m).

(30)

Operating profit improved by 10% to R6,9m (R6,3m). The interest bill rose marginally to R2,1m (R2m), resulting in an 11,6% rise in pre-tax profit to R4,8m (R4,3m).

However, a lower tax rate enabled Smart to show a 26% rise in profit after tax to R2,9m from R2,3m previously. Secondary tax on companies at year-end would not be significant.

After outside shareholders, net profit for the six months was 21,4% higher at R2,5m (R2m). It was not policy to declare an interim dividend.

MD Charles Fox said the results were satisfactory given the current conditions.

Smart had embarked on a significant advertising and marketing relaunch and would spend R5m over the next year on marketing.

The launch of the Smart Centre Club was a significant strategic move. However, it would not affect the bottom line directly as any profits from the Club would be given back to the customer. Smart was expecting about 45% of its 300 000 accounts to convert to the Club by end-December.

The four Martins stores would be converted to Patrick Daniel, and all of the Kappa stores would be converted or closed by the year-end.

Fox said management expected "continued real growth in earnings" in the second half.

Smart had opened stores in Francistown and Rundu (Namibia) and a Patrick Daniel store in Umtata. Smart Centre stores would be opened in Hazyview and in Selebi-Phikwe in Botswana.

ed on racial lines • No IMF cash until 1995

Obstacles in path of business unity

Sowetan 14/10/93

(30)

By Mzimkulu Malunga

■ NAFCOC Racist commerce chambers must be removed:

THOUGH THE CHANGES IN the country call for a united chamber of commerce to represent the interest of business people, historical factors have to be taken into account.

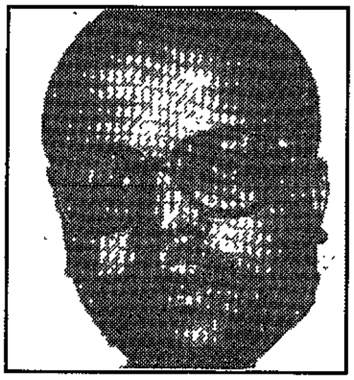
This is the view expressed by some leaders of South Africa's four chambers of commerce.

"In a country that is striving to become one nation it is ideal that there should not be different chambers which are organised along racial and language lines.

"But in the South African situation, we cannot ignore the past," contends the president of the National African Federated Chamber of Commerce and Industry, Mr Archie Nkonyeni.

In addition to Nafcoc, there is the South African Chamber of Business (Sacob), the Foundation for African Business and Consumer Services (Fabcos) and the Afrikaanse Handelsinstituut (AHI), all representing various chambers of businesses nationally.

Nkonyeni says fragmentation in the business community weakens the sector's voice. Added to the chambers are business organisations like the Chamber of Mines and the Steel and Engineering Industry Federation of South Africa who participate in a 17-member coalition called Business Forum.



Mike Ntlateng

The forum is a business representative in the National Economic Forum.

Nafcoc's main objective, says Nkonyeni, is to facilitate black economic empowerment issues not at the top of the agenda in either Sacob or AHI. Nkonyeni says a compromise could be an unconditional commitment by a united chamber of business to black economic empowerment.

Fabcos' Mr Mike Ntlatleng: "If there must be unity, it should not be for the sake of convenience.

Differences of opinion should be recognised in such a grouping."

An illustration of the opinion gaps between black and white business were the petrol price increase and the introduction of Value Added Tax when organised black business spoke the same language as the labour movement.

Already there is co-operation at various levels such as foreign trips and in national economic issues.

Sacob's deputy director general, Mr Ron Haywood, says debates on a united chamber will intensify in the post election era.

The president of the AHI, Mr George Hysammer, advocates the restructuring of the Business Forum to become the voice of business.

Bloemhof boycott flares up again

Star 13/10/93

■ BY JO-ANNE COLLINGE

Residents of the Western Transvaal township of Boitumelong began their threatened boycott of white-owned shops in Bloemhof on Monday, a Boitumelong Civic Association spokesman said.

Similar mass action four months ago resulted in a mass dismissal of the town's black work force until an end to the boycott was negotiated.

Despite this recent history, township residents reaffirmed their intention to boycott stores in town at a mass meeting in Boitumelong on Sunday, the civic spokesman said.

Residents had three clear objectives, he said. They wanted the reinstatement of 43 council workers who had been laid off and a R500-a-month increase for them.

They wanted the Bloemhof Town Council to give a clear undertaking that it would not proceed with privatising municipal services. Residents suspected privatisation was the council's way of avoiding the responsibilities of a nonracial local authority.

And they wanted the effective de-racialising of all municipal recreational facilities.

(30)

Hopeful

The civic spokesman — who asked not to be named — said that the civic and a range of local political organistions were still hopeful that direct talks with the council might yield returns.

Town clerk Deon Brits, anxious not to aggravate matters, declined to comment. He said all press statement would be made by the council's political leadership.

Mayor Johan Visser was attending a meeting out of town and could not be contacted.

DINNERS

South 8/10 - 12/10/93

'Business must oppose rightwing'

(30)

ANC general secretary Mr Cyril Ramaphosa has called on the business community to take sides in the fight against the rightwing threat.

Ramaphosa, who was speaking at an ANC Youth League briefing in Cape Town last week, said the rightwing's call for violence was damaging the economy.

"The business community has been very quiet. They need to be part of the forces which will send a strong, clear message to the rightwing."

However, he was also confident in the future as there seemed greater unity among the various sectors of South African society.

He emphasised the unity among South Africans on lifting sanctions.

"It was good that for the first time in a long time, business, trade unions, government and political organisations spoke on an international platform with one voice.

"And it was totally unco-ordinated," said Ramaphosa.

"We have put across to the world that we have achieved a great deal through negotiations and look at achieving more.

"The reception we got from the international community has been very positive. It is this strength and opportunity that we can build on for all our people, as opposed to what happened in the past where windfalls have, on an economic level, only been for the benefit of a small section of our community.

"In this case we hope that whatever investments will come into the country will be for the benefit of all.

CYRIL RAMAPHOSA

"Foreign investment will bring foreign currency and new technology. As a spin-off there will be new jobs."

He says this will be a spur to the process of negotiations which will move South Africa towards a settlement.

Ramaphosa said he expected negotiations on an interim constitution to be completed by the end of this month.

"We will then hold a plenary session that will bring together the various parties where they will all give their assent to an interim constitution to be legislated in parliament.

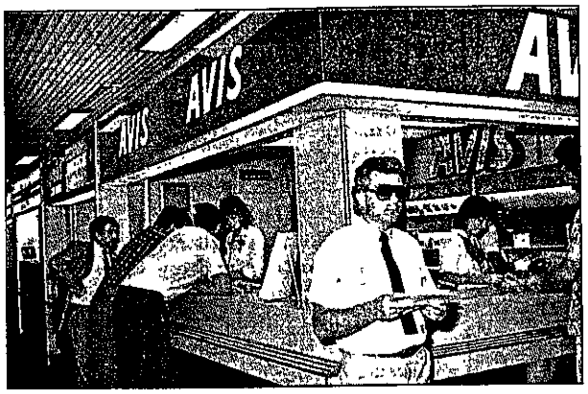
"Parliament will be reconvened in November to pass legislation and after that we will be in a full-blown election campaign.

8/10/93 FM. (30)

CAR RENTAL

Trying harder

If there's one thing a company hates to do more than cut prices, it's engage in a price war. Since June the ferocious battle for customers in the car-hire business has meant that the three major players — Avis, Imperial and Budget — have boosted business, but at the expense of their bottom lines.



Holidaymakers ... *in the driver's seat*

The price of hiring a leisure car — that sector comprises 40% of the total market — has come down by 23% since June, says Budget MD Tony Langley. "We introduced a lower rate to perk up business, our competitors matched it, we lowered our rate again, and so it went on until prices came down to their present levels."

That's meant more rentals, even though corporate rates have not been reduced. According to the SA Vehicle & Rental Association, the decline in business during the first five months of the year, measured in rental days, turned around in June, when business shot up 5,2% compared with June 1992. July's business was up 8% compared with the same month last year.

"We hope these statistics are a reliable indication of the long-awaited upturn," says Avis MD Grenville Wilson, who's also chairman of the association's car division. Nevertheless, he adds that while volumes have improved, margins are still contracting. The average revenue per rental day for June was 7,2% down on the same month last year.

"While the market is growing in terms of number of rentals, the price war continues to erode revenue," says Imperial MD Carol Scott.

Langley says the industry's profile is changing. Demand for bigger cars is falling and for smaller cars, such as Toyotas and Volkswagen 1300s, increasing. In Budget's case, demand for the smaller cars has increased from 70% of its hirings a year ago to 87% now.

He regards the commercialisation of the nine State airports, which has resulted in the industry's rent at airports being increased by 40%, as the biggest threat facing the industry. Next on the list is the continuing devaluation of the rand against other currencies, which means higher prices for new cars.

Scott says that in 1989, the fleets totalled 14 568. In July, it was down 35% to 9 425, representing a R160m decline in purchases. "Fleet purchasing now becomes a critical issue," she says.

Langley, for one, remains confident that the industry will show good growth between now and 1995.

He reasons that the economy has bottomed, which will stimulate the corporate market, and that the leisure market will grow after next year's general election.

Scott says Imperial, the market leader, has managed to maintain its profit margins, in spite of not having increased its rates since January 1992, through productivity gains, restructuring and rationalisation. "Worldwide the costs in the service industry are rising considerably. Quite apart from the substantial increase in costs of vehicles and components, people and infrastructure costs are becoming a major issue."

In an attempt to keep on top, Imperial has started its own auction company, Premier Auto Auctions, to dispose of the group's extra vehicles. It has also launched a new nondiscountable group of vehicles, mainly Mazda 323s, which will be rented out at R57/day and 61c/km, about 30% cheaper than the next category; and introduced an upmarket taxi service in Johannesburg, Cape Town and Durban modelled on the UK's minicab service. ■

United front urged for W Cape business

CT 8/10/93 (30)

Deputy Business Editor

A STRONG, united business organisation to be the "undisputed voice" of business in the Western Cape was required to influence the business affairs of the region, outgoing president of the Cape Chamber of Industries, John Middleton said.

Addressing the chamber's agm last night, Middleton said in order to play its role in the transitional and future SA, business had to have a co-ordinated and strong voice: "We need total involvement in order to be a representative organisation that can exercise to the full the required influence on the business affairs of the region.

He said the CCI and Cape Chamber of Commerce both realised that together they could be stronger than if they remained apart.

"... And we have urged all known regional business organisations to join us in the planning process. We must achieve unity in a multi-racial, non-sexist business organisation fully representative of the Western Cape region."

Middleton said the CCI and business community at large had an important role to play in getting management to uplift employees at all levels. And, employees, at all levels, needed to adopt a co-operative attitude towards improving productivity.

Waterfront offers course for managers

Staff Reporter

THE Waterfront has joined the campaign to promote service excellence with a training course for managers and owners of hotels, restaurants and fast food outlets there on October 12.

This will be followed by a series of one-day workshops during November for all "fronting" staff — the first people to have contact with customers.

Managers will be encouraged to train staff to offer excellent customer service.

Maureen Thomson, public relations manager for the V & A Waterfront, said the workshops were aimed at offering tenants/support in their efforts to achieve excellent standards.

"Since December 1990, we have learned the hard way about coping with the volumes of visitors we get.

"We have overcome major obstacles and haveachieved a lot, but we are never going to get co[illegible]placent."

Anybody in[illegible]s[illegible]d in the workshops shou[illegible] c[illegible]t Stephen Ostrer, who is in [illegible]e of restaurant tenant liaison. His number is ☎ 419 2885.

A swift and sure record of progress

PROTEA Hotels & Inns (Pty) Limited, in its existing format, was started in 1984, but the story really starts more than 20 years ago in 1970, when Otto Stehlik arrived in South Africa and took a job as a receptionist at the Trust Bank-owned Heerengracht Hotel. His brief — to fill as many beds as possible.

His success at this made for swift progress through the ranks and by 1973 he was appointed marketing director.

Fast-forward to 1988 when the group became totally independent and undertook major restructuring to become Protea Hospitality Corporation (PHC), with Mr Stehlik as executive chairman. PHC now holds Protea Hotels (which is responsible for the management and franchise operations for the 70-odd hotels); Plan One; Protea Properties and Places.

PH today, at just nine years old, is the largest hotel group in Southern Africa.

□□□

Arthur Gillis's CV helpfully runs to six pages. Which goes a long way to towards explaining his energising presence — under Sporting Achievements you read of his athletics, judo, hockey, swimming, aviation, lifesaving.

Other Activities includes Boy Scouts, Cubs, lifesaving instructor at Kimberley Girls' High School (fun one, that) and various chairmanships.

His career, which started in 1978 as assistant purchaser at the Heerengracht Hotel, rises rapidly, star-studded with awards and nominations. His wife, Annette, and children Anton, Ashli and Alexis must be proud of him.

Picture: HANNES THIART, The Argus

Arthur Gillis ... the guest's perception is always right.

A master of with the rig

□ Perception is the key fc

Our Service Excellence Campaig from Arthur Gillis,

GORRY BOWES TAYLOR, Staff Reporter

THE telephonist/receptionist says to each calle "You're welcome to Protea Hospitality Corporatio Her voice rises on the final syllable. The reception ar is black, grey, white. Glinty surfaces and soft leath Some bridal white flowers, other greenery like guests the feast.

The wrong person comes to collect me — I mean I the wrong person that she's come to collect. Lots sorrys, smiles. Then I'm the right person — I'm thr minutes early but Arthur Gillis is ready and up a coming at me. He has a handsome handshake and tig ly packed energy.

Question: One of the difficulties in the hospitality ind try must be the troublesome guest?

We start from the premise that the guest is not ways right. The guest's *perception* is always right.

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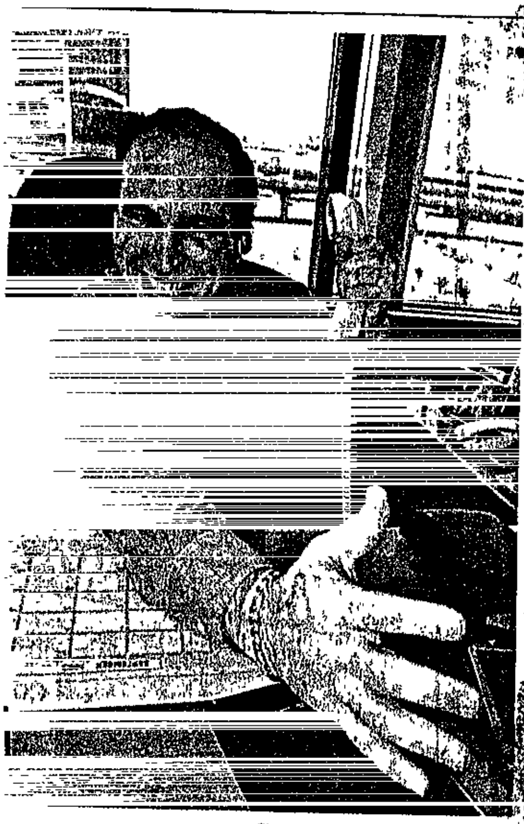
CAMPAIGN

A master of hospitality with the right attitude

□ Perception is the key for hotel group MD

ARG 7/10/93

(30)



Picture: HANNES THIART, The Argus.

...hur Gillis ... the guest's perception is always right.

Our Service Excellence Campaign continues with hospitable words from Arthur Gillis, MD of Protea Hotels.

The Argus

SERVICE EXCELLENCE CAMPAIGN

GORRY BOWES TAYLOR, Staff Reporter

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Take as a recent example two guests staying at the same Protea hotel in the same room (no, not together!). One had driven the enjoyable short distance from George, the other the ragged kilometres from Johannesburg, with two small children.

Guest number one wrote a glowing guest comment about the hotel, guest number two slated it. My advice to the management is that service excellence depends entirely on how they handle tired, ragged, understandably uptight guests. We have to read the unspoken language. We have to anticipate the guest's requirements.

And there's my tomato bredie example. If a guest orders that bredie and doesn't eat it, Protea staff are severely reprimanded if they ask the guest if everything's OK. Clearly it isn't. I recommend they say: 'You are obviously not happy with this — may I remove it and offer you something else from the menu?'

Although the bredie was made to our popular recipe, the issue is that the guest's perception is correct.

Q: Do you have a highly effective staff training programme?

We say each guest is an individual and every staff member is an individual and we'd like the staff member's personality to come out in dealing appropriately with each guest. In the hotel industry we teach people the so-called skills — opening a bottle of wine, which side to serve from. Today I believe that stuff is somewhat irrelevant. Guests wish to be treated as individuals and they wish to be treated in a manner which is appropriate to their mood. So we tend to focus our efforts on attitudinal training.

Q: How empowered are your frontline staff?

Some years back, when empowerment was the buzz word, we thought it would be a good idea to empower people. We then found that, in fact, we were empowering them to say no and not to say yes. For instance, we have two breakfast prices, one for a Continental breakfast and for a full breakfast. But guests don't fit into little blocks. Some might want just a slice of toast and a cup of coffee, which slots into neither price. Our staff were empowered to give it away for free or to charge a Continental breakfast price.

A more acceptable version would be for us to empower our staff to decide what the toast and coffee are worth, and charge the guest accordingly, or, even more creatively, to ask the guest to assess the value.

I believe that 99,9 percent of our guests are honest. If one guest takes advantage, so what? We can't run a business on the basis of the lunatic fringe. What we have to do is to exceed the expectations of the majority of our guests, and then we're doing well.

Q: How do you define excellence in the hospitality industry?

I can teach anyone to grill a steak, but I cannot teach people to smile, I cannot teach people to be honest and friendly — and that is what the hospitality business is all about. How to have empathy for the guest staying in our hotel. Guests and staff are always spelt in capital letters in our organisation. Always. That's our story.

Q: Your five Moments of Truth?

The things we have to be great at:

- Coffee.
- Pillows.
- Beds.
- Any time that there is contact between a staff member and a guest — that last one metre of truth between the two people.
- When, in the guest's opinion, we have not lived up to the guest's expectations

The way in which we rectify what we have done wrong in any of these is the opportunity to set us apart. Not that I'm saying that I will excuse a problem but I think we should do it right the first time.

Spotlight on the sweatshops

30 ARG 31/8/93

■ The way ahead for small business has been spelt out by union representatives.

ALIDE DASNOIS
Business Staff

SWEATSHOP conditions in small and medium-size businesses came under the spotlight at a meeting this week in the University of the Western Cape.

Mr Tony Ruiters, a member of the Cosatu regional economic task group, told the meeting — organised by the Western Cape Economic Development Forum — that South Africa should learn from countries where fair labour standards had not prevented small and medium-sized businesses from competing internationally.

Unions had in the past been hostile to sub-contracting because it had been used by big conglomerates to reduce labour costs and undermine trade unions.

"Big companies have been able to cut costs and save on provident funds, medical aid and training by putting the onus on the sub-contractor," Mr Ruiters said.

He added that Cosatu would support sub-contracting in order to develop SMEs under certain conditions including:

■ It should be part of a move to loosen the hold of the big conglomerates.

■ SMEs should respect "proper labour standards" and allow collective bargaining.

■ The government should provide infrastructure which was at present lacking.

■ Goods produced should be competitive internationally.

The unions, he said, would not put up a blanket opposition to exemptions for smaller businesses from labour regulations — though they would fight against "sweatshop conditions".

Labour lawyer Jan Theron said it was time to drop the "catchword" of deregulation.

To present deregulation as something "which is good in itself, whether it concerns apartheid legislation or labour legislation", was false.

Mr Theron, distinguishing between "core legislation" on basic conditions of work, wage regulations and industrial council agreements, said SMEs should not be exempted from labour regulation.

But each industry should be examined separately.

It was dangerous to lump all SMEs together.

Proposals such as that by the National Manpower Commission to put SMEs beyond the reach of the law on wages and conditions of work should be opposed.

Regulations should be maintained, said Mr Theron, and criteria for exemption should be negotiated.

Institutions which provided support for SMEs should look into the labour practices of the companies concerned, he said.

Other issues adressed by the workshop included finance and training.

Newly appointed Forum co-ordinator Howard Gabriels said the workshop — the first representative meeting of its kind — had gone a long way towards defining key areas for small business development and establishing a basis for networking between the key players. He said a follow-up meeting of the Task Group would take place soon.

CP town faces another boycott

Sowetan 5/10/93

By Ike Motsapi

■ **RESISTANCE RESUMES** Blacks object to racist attitudes:

30

A consumer boycott of white businesses at the Conservative Party-controlled town of Bloemhof in the Western Transvaal is to resume next week.

The Boitumelong Civic Association said in a statement yesterday that the boycott would resume because "whites in the area have not changed their attitudes towards blacks".

The civic association and the tripartite alliance of the African National Congress, South African Communist Party and the Congress of South African Trade Unions, suspended the boycott of white businesses in June this year after agreement was reached to stop retrenchments and harassment of blacks in the town.

However, the civic association told *Sowetan* yesterday that the alliance had decided to revoke the boycott because "the other party has not stuck to the agreement".

A spokesman for the civic association said retrenchments were still continuing despite the agreement.

He said about 50 black workers were dismissed from various white-owned businesses in the area, including the Bloemhof Town Council.

The alliance and the civic association want:

- Joint control of the Bloemhof, Salamant (Indian) and Coverdale (coloured) councils;
- Amenities in the town open to all races;
- A moratorium on retrenchments and dismissals; and
- An end to racial discrimination.

A mass meeting comprising the Boitumelong residents and the local coloured and Indian communities is to be held in the township on Sunday.

The meeting will plan strategies to make the planned action a success.

Meetings have been held between the civic association, the alliance and the white business community in a bid to solve the problem.

Blacks were barred from going into town during a consumer boycott of the town during May this year.

Cap

Call for practical support for black entrepreneurs

Property Editor

THE construction industry needs to identify and train black entrepreneurs who in turn would provide the impetus for employing construction workers, says Douglas Setuke, general secretary of the National Black Contractors and Allied Trades' Forum (Nabcat).

Nabcat was formed recently from 17 associations representing black builders and small contractors nationally.

Setuke said until such time as the status quo in the construction industry was challenged through the development of black entrepreneurs, there could be no redressing of imbalances.

Responding to a recent agreement reached by organised labour and the National Committee for Labour Intensive Construction (Nclic) which resulted in the Framework Agreement for Public Works Projects using labour intensive construction systems, he said the focus of the agreement revolved around the reintroduction of a higher labour component into a well-established industry which had increasingly mechanised its operations.

"There is certainly a place for labour intensive construction as long as the design favours it as opposed to a highly mechanised building method. If this is not seen to, the end result will carry additional expenditure which, in turn, will be rejected by customers.

"As it stands, the agreement fails to address the issue of restructuring the industry to accommodate the small entrepreneur from the disadvantaged sector of the community, especially in respect of finance.

"If a small contractor wins a contract for R1,2m the first thing he has to provide is 10% surety. Presuming he can raise this, he next has to find working capital. However, he comes from a background in which access to such facilities is not available.

"What is needed is support from professionals in the industry who can assist black contractors to develop a professional approach.

"We do not want to perpetuate the smallness of an informal sector operator. Through support and working on contracts, small contractors will gain creditworthiness and enter the main stream.

"The emerging entrepreneur must compete on an equal basis with existing companies," says Setuke.

CT 5/10/93

He added that Nabcat was working on a national directory of black contractors.

(30)

How to make a business flourish

In Part 4 of our SERVICE EXCELLENCE campaign, we talk to green-fingered Robert Stodel, managing director of Stodels Nurseries, about "Getting it right the first time."

ARG 4/10/93 (30)

STODELS Garden Centres have just won the prestigious Green Ribbon Award for being judged the finest plant nursery in South Africa. Categories judged included availability of staff; customer information; knowledge of plants; knowledge of insecticides, fertilisers and weeds; quality of advice; willingness to help; staff training; and bilingualism.

GORRY BOWES TAYLOR, Staff Reporter

ROBERT Stodel really is serious about service excellence — and delighted by the business and personal rewards of this positive approach to working life.

Question: Do you think it is always possible to "Get it right the first time"?

No, it is not ALWAYS possible. To err is human. I do believe, however, that customers are human too, and will accept a mistake, as long as it is rectified immediately — and I mean immediately. They should under no circumstances, however, have to accept rudeness, aggression, indifference, insults, or any other form of bad manners.

Q: So what is your definition of good service?

Good service is an entire concept and is not just how to serve a customer. It includes truth in advertising, quality of goods, competitive prices, assistance with parking, a clean and safe environment, clear signage, and speed and efficiency at the till. Good service does not even stop when the customer's car leaves the premises. In our case, we include a 100 percent guarantee on all the plants that leave the premises. Good service never stops ...

Q: Can you satisfy all the customers all the time?

No, of course not. However, even if we are not able to fulfil their expectations, customers do expect common courtesy and the knowledge that we will do everything in our power to assist them by providing the product or information they require as quickly as possible.

Q: How do you motivate your staff continually to provide what you consider excellent service?

The staff at Stodels "share a dream" and they all have a say in the running of the business. Every morning there is a meeting for 30 minutes and, on Mondays, for two hours, in which we discuss what customers are saying, where we can improve and how we can implement our policy of the "search for excellence". We don't believe that philosophies in the heads of managers are effective. They must be shared with the staff on the shop and nursery floor.

ROBERT STODEL ... really serious about service excellence.

Q: How important is service in the success of a company such as yours?

So much so, that "giving the best customer service" is one of the four pillars of our company's philosophy. A high percentage of our turnover is spent on staff training, 75 percent of which is customer-related because, in a nursery, most of the customers will require some personal attention. We are well aware, however, that customer service does not operate in a vacuum, it relies on a good products.

Q: What do you feel is your most effective method of achieving this quality of service?

We focus on knowing our customers and their needs, however individual they may be. To this end, we employ more trained horticulturists than any other nursery in South Africa, and ensure that their product knowledge is continually updated. This is done in the form of in-house training by invited guest speakers, as well as seminars, lectures and selected courses run by The South African Association of Nurserymen, the Cape Technicon and private management consultants. We also employ extra horticulturists during peak periods to maintain the level of individual attention.

Q: First impressions always count. What do you feel is the moment of truth when a customer arrives at Stodels?

I believe it is when the customers drive through the gates. Besides a welcoming environment, they must be assisted in finding parking and ushered in courteously, and in a friendly way.

Q: So, you're saying it's not only necessary to train sales staff?

Precisely. Contrary to what people think, it is not only the sales staff who must provide good service — they are usually trained to do so anyway. It is the trolley assistants, the parking attendants, the cashiers and the maintenance people who should be trained.

Q: "The customer is always right" is an old and hackneyed expression. How do you implement this?

If there is a problem with a customer, it is our problem. Staff are instructed to call a manager if they cannot cope with a specific customer. I don't believe that people are basically difficult — they may be stressed, but not difficult.

Q: What do you consider to be some of the additional facilities you provide for your customers that contribute towards a comprehensive service?

Our senior citizens receive a 30 percent discount on most of our plants, in contrast to most businesses, which give 12 to 15 percent. The reason for this is that many of these customers helped to establish this company 30 years ago and we like to reward them for their loyalty over the years.

We also never try to sell more to a customer than they ask for. If they are able to make it a FUN experience and smile, the rest will follow.

We also send out a newsletter free of charge which provides information on what you should be doing in your garden as well as useful hints and tips. In addition, we have seminars every two weeks on subjects relevant to the gardening season and of interest to gardeners.

Q: How do you follow up the standard of service?

We make use of service reply cards which are handed to every customer, and then dealt with by the managers of the branches. Everyone who fills it in receives a letter of thanks and a gift voucher in the post. I personally see that each one is followed up.

Finally, I would like to say that many companies are continually searching for success without realising where to look. At Stodels, we attribute our success to our policy of providing the best possible customer service at all times.

The Argus
SERVICE EXCELLENCE CAMPAIGN

Markets could boost township economy

(30)

ARGT 2/10/93

□ The creation of wholesale and retail markets on the edges of the black townships is one way to develop the township economy and fight unemployment, say economists.

ALIDE DASNOIS
Business Staff

A THIRD of Cape Town's population of 2,7 million people live in the black townships. With unemployment at 70 percent of the labour force, most are forced into the informal sector for survival.

The creation of wholesale and retail markets in the townships would create a link between informal township operators and the rest of the metropolitan economy, as well as providing township consumers with better services, say economists A S M Karaan and Wolfgang Thomas.

In a paper to the conference of the Agricultural Economics Association in Cape Town this week, they point out that 85 percent of business in Khayelitsha is informal (see table) and that R91 million of business is transacted each year.

But, informal traders — usually located near bus and taxi ranks, stations and main pedestrian routes — face serious supply problems because of their isolation from the metropolitan economy.

Fresh-produce sellers in the townships, for example, get their goods mainly from the Epping market, but this is time-consuming, costly and difficult for hawkers with low levels of literacy.

New strategies to create better links between formal and informal sector operators should be based on the right of consumers and traders to operate either inside or outside the townships as they choose, say Karaan and Thomas.

Attempts to "gild the ghetto" – by developing the townships – should be combined with policies designed to support township inhabitants who prefer to operate elsewhere.

A key mechanism for improving formal/informal-sector links would be the creation of a large-scale wholesale market on the edge of the townships.

Such a market could be located somewhere on the Philippi-Mitchells Plain-Khayelitsha triangle.

It could start as a fresh-produce market (including a livestock auction) and could expand to include other goods, depending on demand. Access should be easy, safe and cheap. The market should operate principally on certain days (Mondays and Fridays).

At the same time, informal retail markets should be developed in areas where trade is already concentrated.

Markets, say the economists, can become a means of productive exchange between the townships and the rest of the economy: They will contribute to employment creation and to reducing poverty.

Increased competition, lower distribution costs and better access should reduce food prices and give the poor more room to manoeuvre in their household budgets. Nutritional status may also improve.

Sacob proposes 'golden square' forum

JOHANNESBURG. — The SA Chamber of Business (Sacob) has proposed an industrial policy forum similar to Japan's Industrial Structure Council to develop and recommend a new industrial policy. 30

In a discussion document Sacob said yesterday the main purpose of this forum would be to develop a new industrial policy that would be representative of major stakeholders in the industrial environment.

A structure designed to formulate and promote new industrial policy should be set up within the broader framework of the National Economic Forum, or whatever institution replaced it, Sacob said.

Sacob president Spencer Sterling said that unlike the economic forum, with its "golden triangle" of representatives from labour, business and government, the policy forum should comprise a "golden square" of representatives from business, government, labour and the suppliers of technology. CT 21/10/93

He said Sacob's discussion paper would be taken to political parties, the forum and other organisations.

SPECIALTY STORES

FM 1/10/93

Swinging into cash

When clothing stores do everything possible to introduce or extend credit facilities to maintain market share, it's refreshing to see a successful exception.

Encompassing Milady's, The Hub and Mr Price, Specialty Stores has seen a swing to lower-margin cash trade in the past 18 months. Organic growth in cash chain Mr Price means that just under 40% of the R209m turnover is in cash. The ultimate target is 50%. If interim results are anything to go by — Mr Price increased sales 103% to R53m — management should have no difficulty achieving this. (30)

In the six months to August, group earnings rose 30% to R6,3m.

Joint MD Stewart Cohen concedes margins have been squeezed, from 7,4% to 7%, but is confident that benefits from the new systems infrastructure, an increased customer base and an upturn in consumer spending will see them recover.

The balance sheet remains strong, with stocks well managed and neatly matching (26% up) the 27% increase in turnover. Investment in expansion is reflected in gearing of 49%, up on 40% a year ago. Though well within the self-imposed limit of 60%, the first six months of the financial year is traditionally lower, suggesting less satisfactory gearing can be expected at year-end.

It may be in anticipation of this that management chose not to increase the dividend precisely in line with profit increases. DPS increased 15% to 11,5c. FM

Specialty's Chiappini and Cohen

TIGHTER MARGINS

Six months to	Aug 31 '92	Feb 28 '93	Aug 31 '93
Turnover (Rm)	164	204	209
Operating income (Rm)	12,2	20,7	14,7
Attributable (Rm)	4,8	7,7	6,3
Earnings (c)	29,4	55,5	38,3
Dividends (c)	10,0	21,5	11,5

Of the two credit chains, Milady's — ladies' fashionwear — increased sales 19% to R95m. Interestingly, while whites are seeking suburban sanctuaries, the chain recently opened its second flagship CBD store. This reflects a recognition that retailing's future lies largely in the black arena. The Hub, the super speciality chain based in Natal, increased turnover 11% to R59m. 1/10/93

Joint MD Laurie Chiappini confirms this, believing Specialty Stores' success lies in its strategy of clearly positioning the three chains to meet specific needs. "We have used this subdued trading period to consolidate and enhance the positions of our chains in their niche markets." (30)

Management is confident of real growth in earnings in 1994, given that 60% of profits are usually made in the second six months. The exponential-like movement in the share price over the past few months suggests the market mirrors this sentiment.

On a p:e ratio of 12 and dividend yield of 2,9% at R11,25, the share is rated well below major competitors. In line for the ninth straight year of earnings growth, the share may well continue to climb. Investors may wish to take advantage of this discount.

Marylou Greig

Stockbroker raises R50m to help black businesses

S/Times (Buss) 8/8/93

By TERRY BETTY

FRANKEL Pollak Vinderine has raised R50-million to help medium-sized black businesses.

The fund, backed by foreign investors and SA business, will finance and train black businessmen, says the stockbroking firm's chief executive, Sidney Frankel.

The money comes from the Frankel Pollak Vinderine, Sanlam, HSRC and Ernst & Young-sponsored Platform for Investment.

Mr Frankel hopes to lift the fund to R500-million and list it on the JSE.

The investment instrument will be speculative, offering some security.

Frankel corporate division director Simon Oliver says: "The money will be lent to and invested in businesses that employ 20 to 200 people and have a turnover of R5-million to R20-million a year.

"We are looking to finance more than the hawker sector. The money will be lent at market rates and dividends should be paid."

Mr Oliver says the scheme should be running before Frankel's annual conference in February. The firm hopes to present the outline and principles of the venture at foreign investment conferences in New York in September and October.

The fund will lend to about five businesses in the first year.

Mr Oliver says: "Many SA businesses have lost money in this type of venture and so are nervous to commit themselves."

But this one will be different because it will start small and be controlled.

"We will be careful about where the money goes. Lending decisions will be taken by a managment committee that will oversee the project."

Mr Oliver says the Small Business Development Corporation, a merchant bank, accounting and legal firms, which have yet to be named, will provide expertise.

JSE president Roy Andersen supports the concept of a business development fund, which is being investigated by several stockbrokers.

ANC economic planning spokesman Neil Morrison says: "The fact that the Venture and Development capital boards of the JSE have been less than successful shows that a fresh and innovative approach to boosting small and medium businesses needs to be found."

4-15

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Home and dry on the Cape's V&A front

By JEREMY WOODS

RETAILERS across the country are battling for trade in their bleakest-ever winter, but hotels, shops and restaurants on Cape Town's Waterfront are bucking the trend. S Times

V&A Waterfront managing director David Jack says about a million people a month visit the Waterfront.

Star performers are the hotels. The Victoria & Alfred, given a four-star rating last year, has achieved occupancy levels of more than 90%.

Mr Jack says the new 160-room City Lodge has had occupancy rates of more than 80%. (Buss) 8/8/93

The Waterfront's 11 cinemas have been trading well as have the family restaurants like Spur and Morton's on the Wharf. But some up-market restaurants have been hit by recession.

"It seems that people have just not had the money to spend on fine dining," says Mr Jack.

Mr Jack says: "Weekend trade is still good and enables most retailers to weather the poor economic conditions." (30) (298)

The Waterfront has several advantages.

"Shops are open all day Saturday and Sunday, they are in warm, dry surroundings and connected to ample underground parking."

Turnover of all retailers is monitored because leases comprise a basic rent, or percentage of turnover — whichever is the greater.

All outlets submit figures to V&A Waterfront, which is entitled to send in its auditors if retailers are suspected of making false returns.

Business confidence shows marked surge

Star 6/8/93

By Claire Gebhardt

South Africa's fragile business confidence took a sharp upturn last month to its highest level in 2½ years. (30)

Sacob's Business Confidence Index (BCI) registered a 2,6 percentage point increase to 96,7 last month from 94,1 in June.

Sacob chief economist Ben van Rensburg warned however that this did not mean the end of the five-year-long recession.

He expected overall economic growth in 1993 to remain at zero. "Prospects for 1994 remain hostage to developments on the political front".

Van Rensburg said business confidence had taken a hammering over the past 12 months, not only from events like Chris Hani's assassination but also from a bad year economically.

He warned that the recovery was tentative and that the upturn in the business mood could be reversed in coming months.

Negative developments on the political front which had impacted on business confidence were the deficiencies in the proposed constitution and the fact that all players were not at the table.

The strongest factors were the end of the drought and the higher gold price.

Other positive factors were the stronger sales of passenger vehicles and certain other durable goods.

Van Rensburg said signs of an upturn in overseas economies augured well for an increase in South African exports.

Also positive was the recent decline in the rate of inflation, and slow money growth which had increased the chances of a further cut in interest rates.

Sacob chairman Raymond Parsons said it was encouraging that 12 of the 13 indices which make up the barometer showed positive movement — the only negative input had been unemployment.

Key sub-indices which strengthened last month to lift the BCI were a firmer financial rand, lower official inflation, the sharp rise in the bullion price, strong growth in merchandise exports and a slight rise in imports.

JD buys Rusfurn for R85-m

Star 6/8/93

By Stephen Cranston

W&A subsidiary JD Group will pay R85 million for Rusfurn.

The announcement ends a year of negotiations between JD and Rusfurn's major shareholder Absa.

The deal turns JD into a giant furniture retailer with 600 stores and annual turnover of R1,3 billion.

As part of the deal Dion has been sold to Massmart, part of Wooltru, for R90,1 million in cash.

JD chairman David Sussman says everybody wins as Rusfurn has found the right management and Absa is relieved of its holding, which it only acquired by default after the failure of a management buy-out. (30)

JD will issue Absa redeemable preference shares issued at 753,8c, equivalent to the net asset value of JD's ordinary shares at the December year-end, and a 25 percent premium on the current market price of 600c.

The new instruments will carry a coupon equivalent to the ordinary share dividend.

JD has the option to redeem the shares either in cash or in JD ordinary shares after three or five years.

JD will recapitalise itself with a rights issue of at least R75 million, probably in October, which will be advanced as a subordinated loan to Rusfurn.

The combined group will be divided into two operating units. One will consist of the more urban upmarket chains such as Joshua Doore, Russells, Bradlows, Rudicks and Giddy's.

The other will focus on the black-oriented chains such as Wanda Frasers, Price 'n Pride, Harmony, Montana and Score.

Bloch shares drop 15,4%

BLOCH

LINDA ENSOR

CAPE TOWN — Trademark holding company Bloch Ltd suffered a 15,4% drop in earnings a share to 4,4c (5,2c) in the year to end June and has declared a final dividend of 2,2c which brought the total for the year to 4,2c (6,1c). 6/8/93

Bloch earns most of its income from royalties paid by trading companies in the Bloch Supermarket group for the use of its trademark.

Chairman Bernard Rabinowitz said earnings were in line with expectations and had been affected by a heavier tax bill after the business relocated from the Ciskei to SA. The tax charge soared 180%, leaving an income of R826 281 (R976 269). (30)

Royalty income for the year was R1,27m.

Licensees appeared confident, despite the predicted gradual economic recovery, and planned to open premises in Wellington in November. Other sites were being evaluated.

Business hopes up

THE SA Chamber of Business confidence index bounced up to 96,7% in July — its highest level for nearly three years. It was 94,1% in June. (30) (49)

But a major reason for improved confidence was the recent higher gold price, which fell below $400 an ounce yesterday. CT 6/8/93

And, warning that statistics can give a misleading impression, Sacob chief economist Dr Ben van Rensburg said that although "some encouraging signs have emerged to suggest that the economy has bottomed out", the rise in the Business Confidence Index "has probably overstated the effect of these on sentiment".

He points out that signs of recovery are patchy and any recovery in the business mood could easily be reversed by political developments.

"Sacob's forecast for overall economic growth in 1993 remains at zero."

● SA business confidence hits three-year high — Page 8

FOSCHINI Fm 6/8/93

Superior performer (30)

Activities: *Chainstore retailer of clothing and jewellery. Holds 35,3% of Oceana Investment.*
Control: *Lefic 50%; Lewis family hold ultimate control.*
Chairman: *S Lewis; MD: C L R Hirschsohn.*
Capital structure: *44,4m ords. Market capitalisation: R2,86bn.*
Share market: *Price: 6 450c. Yields: 3,6% on earnings; p:e ratio, 27,8. 12-month high, 7 500c; low, 3 200c. Trading volume last quarter, 135 000 shares.*

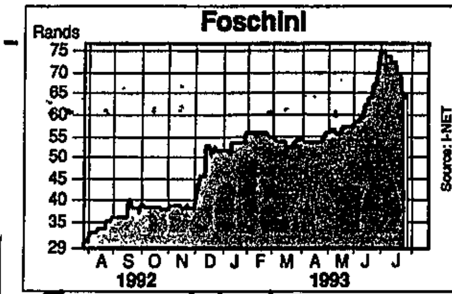
Year to March 31	[1]'89	[1]'90	[2]'92	'93
ST debt (Rm)	14,4	13,8	11,3	38,3
LT debt (Rm)	60,5	56,8	179,0	117,5
Debt:equity ratio	0,39	0,27	0,54	0,34
Shareholders' interest	0,41	0,45	0,46	0,50
Int & leasing cover .	7,5	7,8	4,7	6,4
Return on cap (%) ..	29	31	27,4[5]	25,3
Turnover (Rm)	661	822	976[5]	1 161
Pre-int profit (Rm) ...	125,2	170,0	186[5]	225,0
Pre-int margin (%) ..	18,9	20,7	18,8[5]	19,1
Earnings (c)[3]	136,2	181,2	192,3[5]	232,4
Dividends (c)	242	311	209[4]	230[4]
Tangible NAV (c)	420	606	798	1 003

[1] Year-end December 31.
[2] 15 months; share split 4 times.
[3] Adjusted for share split and scrip dividends.
[4] Scrip dividend only.
[5] Adjusted to reflect 12 months results to March 31.

Results for the year to March 31 must be considered markedly superior, especially under the constraints imposed by a shrinking economy and one of the worst periods for retail trading since World War 2.

In 1983-1993, Foschini posted compound growth of 18,9% in turnover, 22,8% in pretax income and 21,4% in EPS. This includes the sharp 1984-1985 recession when EPS dipped for the first time. Financial 1993 is not directly comparable with the previous accounting period, because the financial year-end changed from December to March, but unaudited results for the 12 months to March 31 1992 enable comparison with the 1993 year's results.

This shows turnover increased 19%, in line with the compound growth rate of the past. But pre-tax income rose an impressive 28,4% and EPS, after dilution related to the scrip-dividend policy, by 25,4% — robust growth from the high base reached over the previous 15 months.



Fm 6/8/93

The 20,6% gain in operating profit is arguably a better indicator of progress than pretax profit which was boosted by the interest bill falling from R40m to R35m.

Foschini has a 35,3% investment in Oceana Plc, acquired for R131m in 1991 (see next report). To bolster cash flow after this investment, scrip dividends are being paid instead of cash. That helped to reduce borrowings and, with the fall in rates, interest payments diminished. As long as scrip dividends are paid, pre-tax income should be boosted by a falling interest charge.

As always, information about performance of divisions is scanty. But data provided again indicates good management at divisions. Foschini Stores, by far the largest division, opened seven new stores and closed four but cut its floor space by 2%; turnover increased 17%. (30)

American Swiss opened 12 stores, closed three, increased trading space by a net 5,9% and expanded turnover 21%. Markhams opened nine stores, closed one, increased floor space by 5% and turnover by 23,6%. Pages Stores' floor space and stores were unchanged but turnover jumped by 22,8%. The 76-store Sterns Jewellers was bought for an undisclosed amount.

Each division apparently gained market share. Productivity and efficiencies carried on improving. The continuing investment in information technology is strengthening management's ability to provide the right merchandise to target markets of the trading divisions — minimising markdowns — "just in time."

Through 1990, the share price languished around R17. In the first quarter of 1991, it jumped above R30 and wavered there until November before moving steadily to a high of R75 last month.

Assuming EPS again grow by 20% to 279c, at 6 450c, the prospective p:e is 23. Some investors might regard it as fully priced but, when the earnings record and market rating is compared with those of other blue-chip retailers, Foschini's ability to keep its EPS annual growth above 21% still ranks it as one of the most attractive long-term growth stocks on the industrial board.

Gerald Hirshon

STOCKS & STOCKS FM 6/8/93

Margins get priority

The news from Stocks & Stocks Ltd (SSL) — the building & construction and property group — is not as bad as the 25% fall in turnover might suggest. (32)

Its policy of not taking on low-quality or

FM 6/8/93

low-margin business has precluded it from some contracts. Says executive chairman Reg Edwards: "Margins are far more important." Despite the 27% fall in operating income, margins were steady, falling only from 3,7% to 3,5%. EPS fell 5% to 24c.

SSL has embarked on a programme to rationalise high-risk businesses and improve the product mix. For the first time, operating income from nonconstruction activities exceeded income from construction, at 57% and 43% respectively.

Areas of diversification include investment properties, leisure and a move into Information Technology (IT). The IT division, which contributed 2% of operating income, has the sole SA distributorship of Lotus products for Unix and has made other investments.

Group current work on hand of R1,4bn for the next 18 months is the highest ever. About half has been generated through in-house property, construction and leisure projects: the leisure division generated projects like Kruger Park Lodge, Castleburn in the Drakensberg and Wilderness Dunes on the Garden Route.

Divisional performance was varied. Construction divisions, which together contributed 43% of income, were hit by continuing adverse market conditions. But the housing division had a successful year and is expected to increase turnover by 50% to R200m during this year; low-cost housing generates more than two-thirds of housing division turnover. The roads division lost R13m but has been refocused on niche operations and is not expected to make a loss next year.

The property division — 37% of income — is building up a portfolio of long-term investment properties. The leisure division — 11% of income — is expanding its portfolio slowly and simultaneously generating work on the construction side.

NOT SO BAD

Six months to	Apr 30 '92	Apr 30 '93
Turnover (Rm)	1,439	1,104
Operating income (Rm)	53,1	38,9
Attributable (Rm)	20,0	19,0
Earnings (c)	25,0	24
Dividends (c)	7	7

(32)

The group is financially strong, with cash of R61m and net gearing of only 9,2%. Cash is being used to buy investment properties. Edwards is reticent about this financial year but the implication is that it will be more of the same. Turnover is expected to regain some ground and margins will be steady.

On a p:e of 2,9 and a dividend yield of 10, the share is on a low rating compared with the sector. SSL is fundamentally sound, generating internal business and going for quality margin work; but it's too early to buy now.

Louise Randell

Fm 6/8/93

Ready for recovery after a caning

Premature expansion hurt Morkels but it can gain from resurgent demand

With surprising candour, Morkels MD Carl Jansen admits that a major error of judgment by management caused the serious drop in 1992 profit, when EPS fell by more than two-thirds. The 1990 decision to expand rapidly was the cause. It gave rise to the present financial structure and high interest costs now depressing earnings.

A superficial reading of results suggests that while a deteriorating economy trimmed turnover growth, the real damper on profitability was excessive gearing brought on by funding expansion with short-term borrowings. Jansen dispels this impression. The real mistake, he says, ironically stemmed from management's familiarity with the business cycle (Morkels was a founder member of the Retail Liaison Committee — it reflects Jansen's penchant for facts and figures). Management had been carefully watching the dip in the economy, brought about partly by monetary policy aimed at curbing inflation.

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Jansen and his colleagues reasoned that the economy had either bottomed or soon would and another cyclical upswing was just around the corner. This opinion was shared by some bankers and economists who, in mid-1990, believed the recession would end about 10 months later. Management decided on comprehensive expansion, for Total Sports in particular, but also the Morkels furniture chain, to be funded by short-term debt.


Jansen

Record results were posted in financial 1991, but then deepening recession, rising interest rates and increasing unemployment steadily depressed consumer discretionary spending. Sales growth tailed off and profits dipped alarmingly in 1992, as turnover in the furniture trade plummeted.

Until German industrialist Claas Daun bought control, Morkels was part of Federale Volksbeleggings. In 1989, says financial director Terry Simon, Federale was over-invested in assets. Its board instructed Morkels and other subsidiaries to restrict any growth that involved capital expenditure.

This not only curtailed management's plans, it also dampened their motivation. Not surprisingly, when stockbroker

Activities: *Retails furniture, appliances and sportswear through Morkels and Total Sports chains. Wholesale distribution of sports equipment, footwear and related clothing through Ajay Sports.*
Control: *Daun Et Cie Ag 79%.*
Chairman: *G R Pauw; MD: C H M Jansen.*
Capital structure: *41,9m ords. Market capitalisation: R46m.*
Share market: *Price: 110c. Yields: 5,5% on dividend; 21,2% on earnings; p:e ratio, 4,7; cover, 3,9. 12-month high, 120c; low, 55c. Trading volume last quarter, 1,5m shares.*

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	29,6	65,4	95,8	75,9
LT debt (Rm)	1,6	1,8	13,0*	12,0*
Debt:equity ratio	0,56	1,12	1,67†	1,2†
Shareholders' interest	0,35	0,29	0,25	0,30
Int & leasing cover .	1,62	1,74	1,35	1,78
Return on cap (%) ..	10,9	13,5	8,3	11,0
Turnover (Rm)	205	268	308	319
Pre-int profit (Rm) ...	18,2	28,4	21,2	26,7
Pre-int margin (%) ..	8,1	10,6	6,9	8,4
Earnings (c)	14,5	23,7	10,2	23,3
Dividends (c)	7	10	4	6
Tangible NAV (c)	131	151	156	174

* Lease liabilities against fixed assets, 1995-1998.
† Includes lease liabilities.

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Senekal Mouton & Kitshoff approached Jansen that October with a management buy-out proposition, the suggestion fell on fertile ground.

Over the next few months, Jansen says, he and Simon talked to many bankers about structuring a management buy-out. They were 75% down the road to achieving a deal when, out of the blue, Daun phoned with an offer to buy control. Daun, a CA and tax lawyer, owned the German company Daun et Cie, then rated one of the 20 largest textile groups in what was then West Germany. Daun had made cash investments in SA since 1986, and, when bidding for Morkels, he owned a Paarl textile factory and commercial and office property portfolios in Cape Town and Johannesburg. Before deciding to invest in Morkels, Daun had lived in Cape Town, consolidating his local interests.

President F W de Klerk had made his momentous February 1990 speech; Nelson Mandela was released. The impression was that sanctions would soon be lifted and optimism was rising. It fuelled a miniboom in sales of consumer goods.

In April 1990, Daun paid Federale 95c a share (cum dividend of 4c) for 30m shares and acquired 75% of Morkels' capital. Management was given an option — valid till April 1995 but exercisable at any time — to buy 10m shares (25%) from Daun at 95c a share. This price was to escalate annually at a favourable interest rate; dividends were to be offset against the price.

These terms were, says Jansen, much more attractive and less onerous on management than a pure buy-out would have been. It gave management a substantial interest without incurring the debt usually involved. It also spurred all concerned to make the group perform. It encouraged expansion, and Daun was happy to agree to the expansion programme and the proposed method of funding it — borrowing against debtors.

Daun's purchase, which at first seemed shrewd after an excellent 1991, took on a different hue as 1992 figures confirmed profits were unsustainable in the short term.

Simon reckons that, before Daun's takeover, it was planned to raise about R80m to finance expansion. The intention was to build a higher cash component in the sales mix than the Morkels chain alone could deliver. The plan to raise the funds was shelved but expansion went ahead.

Simon is adamant that borrowing is always cheaper than equity because of the tax shield it brings. His attitude was coloured by the low market rating of Morkels' shares, which did not make a rights issue a proposition.

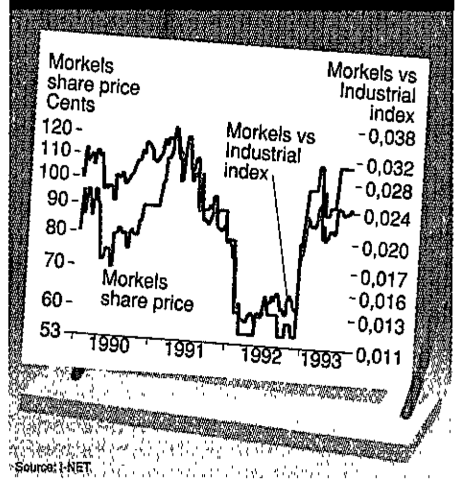
It costs about R2m to open a Morkels store and R800 000 for the average Total Sports. New stores in cash-based Total Sports rolled out rapidly: from 18 in 1990 to 37 two years later. There are 44 now.

To the 82 Morkels stores in 1990, a further 11 were added in two years (with only one more in 1993). In 1990-1992, store expansions absorbed about R30m. Also, sports goods wholesaler Ajay Sports was bought for about R3m in 1991.

In 1990-1992 stocks rose from R38m to R54m and accounts receivable swelled from R101m to peak at R165m. The table shows how total debt jumped from R31m in 1990 to R109m in 1992 as new store development and additional working capital absorbed cash. Interest payments leapt from R5,9m to R15,7m — and all but demolished operating profit in 1992.

Ready for the upswing

Morkels and the Industrial index



Apart from the argument that it is cheaper, Simon prefers short-term debt to new equity because returns from timeously collected credit sales are much more than the net cost of borrowing on a debtors' book with an average life of less than a year. In a buoyant economy with burgeoning demand, that could be valid.

But, as Jansen says, "the Morkels chain is a see-saw type of business. The income statement looks fantastic in boom times but then gearing goes sky high. Conversely, in an economic downturn, the balance sheet improves as slower sales pare stocks and debtors while cash flow from the debtors' book continues, but operating profit takes a knock because margin deteriorates and interest payable severely dents pre-tax profit."

Simon maintains that, had Morkels borrowed R80m in debentures as planned three years ago, it would now have R40m more debt than desirable. Instead, he points out, short-term borrowings — of which R20m are in acceptance credits and R49m foreign loans — are all secured against the debtors' book, not the business itself.

Jansen emphasises that prospects are sound for Morkels, which is now providing 78% of group sales and 97% of operating profit, and Total Sports — 19% of sales and 8,5% of operating profit (Ajay Sports lost R3,2m or 5,6% in 1993).

Post-expansion, both chains have valuable assets, he says. Management is concentrating on managing the group out of its financial burden by improving productivity.

"Both chains have the resources on the ground," he says. "That's why the March 1993 results showed a critical turnaround that should be recognised as such. Stock was cut, debtors did not rise and we have untapped resources in store spread, human resources (there have been no redundancies) and new technology. It's a lean operation."

Furniture traders can be put in three broad categories: discounters; those aimed specifically at the black market; and traders with a universal appeal. Jansen says Morkels is in the third category, with suitably sized stores located to satisfy the changing market.

He is optimistic about Morkels' future, not least because electrification throughout most of SA will boost demand for electrical appliances and home entertainment products.

He is also optimistic that, as in the US in particular, banks will realise the emerging black market will bring potential new customers by funding credit purchases of white and brown goods. This would enable Morkels to concentrate on the area in which it is most skilled: selling.

The share price is close to the 120c peak set in March 1991, having languished around 55c for most of last year — so investors are expecting better results in financial 1994. With growth stocks expensive, analysts are looking for cyclical shares that could do well in a recovery. While it might be premature, consumer durables are among those being considered.

Jansen is looking for real growth in earnings. In this climate, that would be some achievement. Nevertheless, it should not be forgotten that he and his management team stand to gain a lot if the group can show exciting EPS gains in the next two years.

Gerald Hirshon

SA business confidence reaches three-year high

CT 6/8/93 (30)

By AUDREY D'ANGELO
Business Editor

BUSINESS confidence rose in July to its highest level for nearly three years — according to the monthly index prepared by the SA Chamber of Business (Sacob). It bounced up to 96,7% from 94,1% in June.

The Sacob manufacturing survey also shows confidence has improved. Most manufacturers now expect better sales and higher production in the year ahead.

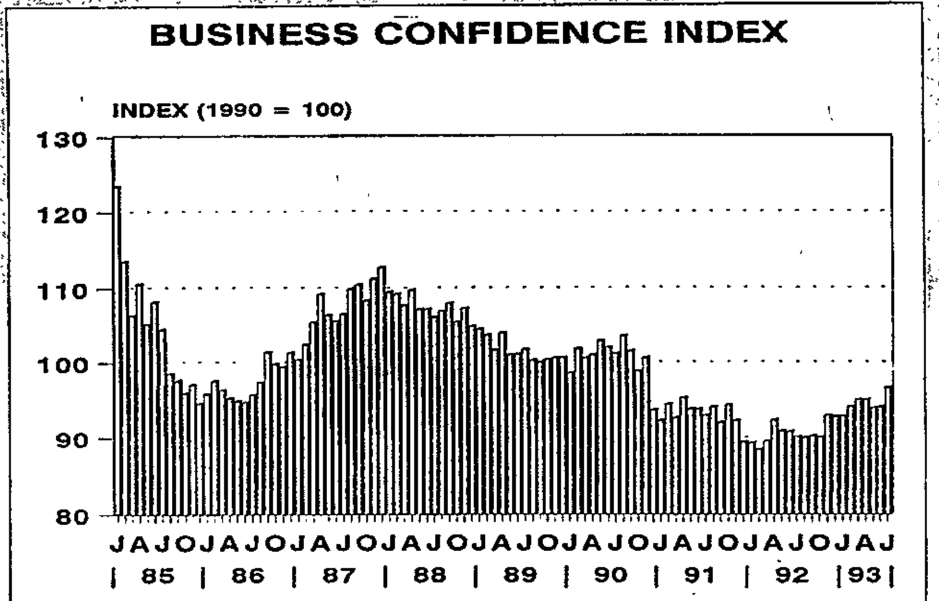
But a major reason for improved confidence was the higher gold price in July.

Sacob chief economist Ben van Rensburg said that although "some encouraging signs have emerged to suggest that the economy has bottomed out," the rise in the Business Confidence Index (BCI) "has probably overstated the effect of these on business sentiment".

Van Rensburg points out that signs of recovery are patchy and that "statistical anomalies will tend to exaggerate any improvements in the economic fundamentals in the months ahead.

"Sacob's forecast for overall economic growth in 1993 remains at zero," he continues, "and economic prospects for 1994 will remain hostage to developments on the political front."

He says the 2,6% rise in the BCI is due to the fact that 12 of the 13 indices making up the index showed an improvement.



But the 13th — an increase in the number of registered unemployed — was a negative factor.

Reasons for improved confidence included expectations of a cut in bank rate. But a statement by Reserve Bank Governor Chris Stals on Wednesday night made it clear this was not possible yet because of weak foreign exchange reserves.

Other positive factors included a stronger financial rand, lower inflation, the higher gold price, higher volumes of merchandise imports and exports, slightly higher retail sales, a marginal increase in new car sales, a higher physical volume of manufacturing production, a marginal rise in the real value of building plans passed and higher share prices on the JSE.

"Recent developments on the political front had a mixed impact on the business mood," says Van Rensburg.

"Whilst the tabling of draft constitutional proposals have probably provided greater certainty about the kind of constitutional framework that will be in place in the new SA, the proposals have a number of deficiencies which are of great concern to the business community.

"In addition the talks are now poised at a crucial stage. A failure to keep negotiations as inclusive as possible could have significant implications for the legitimacy of any future government and hence for stability.

"The recent sharp increase in violence is also contributing to a growing sense that the country is sinking into anarchy.

"It is unfortunate that the high number of deaths and accompanying pain and suffering is overshadowing the significant progress that has been made in a number of areas by the National Peace Committee and its regional and local peace structures."

Van Rensburg warns: "It must be emphasised that the recovery in the business mood in July could easily be reversed in the months ahead by any serious setbacks on the political front."

Discussing the state of the economy he says: "The signs of a bottoming-out are still quite patchy and are confined largely to the mining and agricultural sectors. Sacob's growth forecast for 1993 as a whole remains zero. This would be despite modest rises in gross domestic product (GDP) expected in the remainder of this year."

Van Rensburg welcomes "the mild relaxation in monetary policy announced by the Reserve Bank."

Star 6/8/93

Squatters now entrepreneurs

(30)

By Abdul Milazi

The Orange Farm squatter camp's Palestine Section, south of Johannesburg, may not be the land of milk and honey but it is a haven to its 150 000 squatters who recently witnessed the opening of a small business training centre in the area.

The Palestine Hive is Orange Farm Civic chairman Thami Majozi's latest triumph after he had organised the electrification of shacks and the installation of private telephones last year.

Being wheelchair-bound is no handicap for the soft-spoken 42-year-old Majozi, who has been nicknamed "Mr Fixit" by members of the community.

Majozi said that organising a business centre in the middle of a squatter camp had been difficult at first but the involvement of the Small Business Development Corporation (SBDC) had been a big help.

Within two days of its opening, the Hive was abuzz with people sorting out maize, making bricks, mixing fruit juice and processing cooking oil.

The Hive, which is owned and equipped by the SBDC, will train about 120 people a month, 30 of whom would be helped to start their own businesses.

Majozi said: "These 30 people will in turn employ about three people each: that's 90 jobs a month."

He said that of the 120 people who were trained last month, 15 had already had their loans approved by the SBDC and were ready to start businesses.

"We are training people to provide for the needs of their community, so that the wealth generated here stays in the community and doesn't go out to already wealthy communities.

"It has been my dream, since I came to Orange Farm a few years ago, to make this community self-reliant and turn the area into a wonderland."

Majozi said the centre was only the beginning. His plans for a centre for the disabled were at an advanced stage.

Twenty squad cars . . . the SAP's Flying Squad unit for the Vaal Triangle area is inaugurated in Vereeniging yesterday. The elite squad will be manned by 62 experienced policemen. Picture: Jacoob Rykliff

Star 5/8/93

Builders short of skills

Property Editor

About 30 percent of building contractors feel they are handicapped by a shortage of skilled artisans and foremen, despite the chronic work shortage in the industry.

Figures from the Bureau for Economic Research show that sub-contractors are also feeling the lack of skills.

The figures have resulted in an appeal from the Building Industries Federation (Bifsa) for all contractors, especially those with large labour forces, to boost training programmes.

Bifsa's general manager, education and training, Derek Weston, says the figures are disturbing because "at a time when work is in such short supply, we would expect to see no shortage of skilled or supervisory men at all". (32)

"We are worried that, when an upswing comes, demand for skilled workers will far exceed supply — and foresee a situation similar to that in the early 1970s, when contractors battled to find skilled men, productivity dropped, the wages of artisans rose unnaturally fast and the industry resorted to recruiting overseas."

Boycott goes on in Krugersdorp

Sowetan 5/8/93

THE Krugersdorp Consumer Boycott Committee would continue its boycott of white businesses in the West Rand town until the Conservative Party-controlled town council discussed joint local government issues with it, the committee said yesterday.

KCBC secretary Mr Ronnie Moloi said in a statement the boycott, launched three months ago by the committee representing the residents of Kagiso and Munsieville townships, was not against local businessmen.

"We have had several meetings with white business to explain that the boycott is not against them but against the racial forces operating in the town."

Moloi said the council and people of Krugersdorp were against the formation of local government interim committees, whereas residents of Kagiso and Munsieville wanted joint control of administration and taxes to be equally distributed and utilised in the interests of all the people in the area.

The land issue was a priority and the housing problem had to be addressed through joint efforts but the council refused to discuss these issues with the committee, he added. — *Sapa.*

Footwear bonanza for Sales House

(30)

Business Staff CT 4/8/93

SALES House lifted footwear sales in the group by an unprecedented 45% in the past financial year ahead of the acquisition of the 203 Cuthberts and ABC shoe stores in June this year for R45m.

MD Arthur da Costa said the growth represented a 52% increase in its market share with footwear currently contributing 27% to the chain's annual turnover.

He said the acquisition would speed up the group's strategic footwear expansion programme.

Sales House currently has four stand alone speciality footwear stores, the most recent of which opened in Cape Town in April this year.

A further 10 stand alone footwear stores are planned for this year.

Formal building sector reacts to warning

BIDay 4/8/93

GAVIN DU VENAGE

THE formal sector had never blocked the informal sector from taking part in the building industry, Building Industries Federation of SA spokesman Margaret Anderson said yesterday. (32)

She was reacting to a warning made by representatives of the informal building sector that formal builders would be kept out of future township reconstruction projects.

The building industry has been pinning its hopes on a massive national reconstruction project that would lift it out of its current depressed state.

Builders were told that unless they met certain guidelines, which would include increased community participation, profit redistribution and skills transfer, they would be prevented from operating in townships.

Anderson said the formal sector had supported community involvement and skills transfer. Only profit redistribution would have to be negotiated, as building operated in a free market environment.

focus on Nafcoc

Sowetan 4/8/93

THE National African Federated Chamber of Commerce and Industry's 29th annual conference highlighted a new sense of realism that is emerging among black business people. Business Reporter **Mzimkulu Malunga** explains:

THE NATIONAL AFRICAN Federated Chamber of Commerce and Industry's 29th annual conference highlighted a new sense of realism that is emerging among black business people.

"Time for pious irrelevancies is past, now is the time for action," says National Sorghum Breweries chief executive Mr Mohale Mahanyele.

In the past, gatherings like this used to be preoccupied with finger pointing and very little action — to the extent that some people dismissed Nafcoc conferences as "social occasions".

There was concern that black businessmen were falling into a trap that caught many leaders in post-colonial Africa, where every weakness in governments was blamed on the colonial masters.

Conference rooms overflowed with business rhetoric, with most of the time devoted to mourning and crying foul. Even political parties which many expected to break from the monotony when invited to speak at Nafcoc AGMs jumped on to the bandwagon.

This year, though some people still went to gamble while the conference was on, the majority were patient enough to listen to a variety of speakers who gave practical presentations to the audience.

The seriousness that was reflected at Sun City could probably be attributed to the leadership style of Mr Archie Nkonyeni.

In contrast to his predecessor, he does not seem to believe in diplomatic talk and therefore calls a spade a spade.

In his speech Nkonyeni attacked the Small Business Development Corporation for its ineffectiveness and unwillingness to break from the apartheid culture.

He called for a complete overhaul of the ownership and control of the institution.

Nkonyeni described the SBDC as a prisoner caught up in a web of bureaucracy that appeared totally insensitive to the changing economic climate of the country.

The Nafcoc president also echoed the major fear of black business people — marginalisation.

At the moment neither the liberation movement nor the Government have come up with a concrete policy to define the role of black business in the post-April 27 era.

It is only next month the National Economic Forum has promised to release a document proposing the part to be played by small businesses in the future South African economy.

While it is true that most small business enterprises in the country are black, addressing the interests of small business only will not be enough to address the fears of black business. The essence of Nkonyeni's speech was that while black business organisations have supported the liberation movement unashamedly in the past, there were signs that politicians within these movements were aligning themselves with white business and forgetting their long-time backers.

Mr Archie Nkonyeni ... good leadership style.

Many black business people are unhappy with the way in which a company, believed to be close to the liberation movement, has set itself on a competition path with black companies, while expectations had been that the company in question would facilitate black entry into the mainstream of the economy.

Nafcoc caused an uproar in the corporate world when it refused to oppose economic sanctions against South Africa in the mid-eighties.

The 1993 conference will be remembered by many in Nafcoc as the year in which businesswomen, who for a long time went to such occasions only to accompany their husbands, made their presence felt.

The passing of a resolution unambiguously explaining women's rights within Nafcoc's ranks was a major breakthrough in the male-dominated business world.

Black businesswomen had brought Mrs Adelaide Tambo to hammer home the women's lib message.

Tambo said women comprised the most disempowered group in the country and they also formed the majority of the unemployed.

She was adamant: "Our situation cannot correct itself without our active intervention."

In her passionate call for women to be released from the bondage of economic exploitation, Tambo recalled the old Africa saying: "*Mangwana o tswara thipa ka bohaleng*," meaning that the mother will do all she can to help her family.

Accompanying the speeches, some of which nearly brought the delegates to their feet, were issues relating to unbundling and affirmative action.

The committee charged with the responsibility of investigating means through which black participation could be intensified in the corporate world, was given the additional task of devising strategies that could be explored to maximise black business benefits from the process of unbundling.

Commonly known as the "3456 Committee" in Nafcoc circles, the committee was appointed as a follow-up to a call made by former Nafcoc president Mr Sam Motsuenyane in 1991.

He had, among other things, suggested that 40 percent of the shareholders of companies quoted on the Johannesburg Stock Exchange should be black.

"Our situation cannot correct itself without our active intervention"

Builders told to heed township guidelines

B/Day 3/8/93

GAVIN DU VENAGE

THE formal building sector would be prevented from taking part in township reconstruction unless it agreed to stick to guidelines laid down by informal black contractors, a new alliance of builders said yesterday.

A spokesman for the soon-to-be-launched National Black Contractors and Allied Trades Forum said the organisation would sit on the National Housing Forum, National Economic Forum and the Construction Council. (32)

Forum facilitator Tjaart van Staden said the formal sector had to change to a "bottom up" approach in township development if they wanted to enjoy the profits of reconstruction.

The guidelines were still being worked out, but they would demand a large amount of community participation, he said. They would be based on maximum community participation, redistribution of profits to the community, and transfer of skills.

Recent World Bank estimates put the cost of rebuilding the PWV townships as high as $10bn. Most of this money had to remain in the community, and not be absorbed by the formal sector, he said.

Black contractors enjoyed legitimacy in the townships, especially with the civics, Van Staden said. It would be easy for contractors to exploit these advantages to keep the formal sector out unless the guidelines were met.

Forum committee member Douglas Setuke said black contractors were in danger of being kept out of the national building drive.

Black builders would ensure they controlled the entire industry's involvement, rather than follow the formal sector's lead, he said.

This did not mean the formal sector would be excluded, Setuke said.

Nafcoc set to help shape SA

Sowetan 3/8/93

THEO RAWANA

THE prospect of a new SA being formulated without the input of business has pushed Nafcoc to assert itself in a bid to achieve a major role in the transformation of the country.

At its 29th annual conference at Sun City, Nafcoc signalled that organised black business believed it had a contribution to make in hammering out an economic policy for SA.

Speakers such as ANC international affairs director Thabo Mbeki and World Bank southern Africa infrastructure operation division chief Isaac Sam stressed the importance of Nafcoc as a leading player in this task.

Seeing the lifting of sanctions as only a matter of time, Nafcoc president Archie Nkonyeni warned against allowing "future investment philosophies to entrench and widen the disparities of the past". He called on liberation movements to work with black business to formulate appropriate philosophies to guide programmes to attract foreign funding.

Nkonyeni suggested that national economic forum members be accorded observer status or be allowed to take part in the multiparty negotiation forum.

"The possibility is not remote that the 26 political formations involved in these negotiations without an economic interest group may tend to concentrate on political issues and even overlook the extent to which their decisions affect economic issues."

The business community had reason to question the wisdom of the limited interaction between political negotiations at the World Trade Centre and economic negotiations at the national economic forum.

"A greater degree of cross-pollination between these two would be far more productive than the present arrangement."

The fact that the other participants in the multiparty negotiating forum had not been included in discussions on economic policy between organised labour, business and government could affect the legitimacy of the economic forum.

(30) (~~180~~)

"It would not be very useful if the transitional executive council or the subsequent government of national unity were to withhold acceptance of decisions taken at the national economic forum simply by reason of their non-involvement.

"We should consider very seriously the advisability of replacing the government representation at the economic forum with direct representation from the negotiating forum."

Nafcoc intended to get involved in voter education programmes. "Business, particularly black business, cannot afford to sit on the sidelines when the nation is called upon to make the most momentous decision of its existence," Nkonyeni said.

To equip itself for the role of a leading player in SA, Nafcoc had begun a campaign to train blacks in every facet of economic life.

B/Day 3/8/93

Poor outlook for recovery, retail sector survey finds

KELVIN BROWN

THE number of business leaders in the retail sector who expected no economic recovery in the year ahead rocketed from 40% in January to 83% after the assassination of SACP leader Chris Hani, according to research carried out by FMC advertising agency. (30)

The agency found that only 17% of the retail business leaders interviewed in May expected the economy to improve in the next 12 months, compared with 57% of those canvassed at the beginning of the year.

The research was carried out among managing directors, sales and marketing directors and senior managers in the retail industry. It was done in January and repeated two weeks after Hani's murder in May.

FMC MD Nigel Morris said everyone realised that business confidence had gone "through the floor" after the Hani assassination. The agency conducted the research because it had several large retail accounts and did regular analysis of the retail sector.

"It shows just how catastrophic that event was in terms of negative impact on the executives who help drive one of the key sectors of the economy," he said.

The May data also indicated a much more guarded attitude generally in the retail sector, with worries growing on issues such as labour relations.

"Senior retail executives are thinking less about growth and more about cash flow," said Morris.

The research at the beginning of the year suggested retailers were looking at growth and were ready to invest as soon as a light appeared at the end of the tunnel. "Now someone's turned the light out, and retailers are getting ready to batten down the hatches."

Personal safety a major concern

B/Day 3/8/93

THUNDI BOOI

THE need for personal protection has overtaken concern for property and assets as the key motivation for investing in a security system, research by an armed response security firm has shown.

Escalating crime and ongoing violence were the major reasons people were now worried about their safety, Sandton Sentry MD Harold York said.

The survey, conducted in the northern suburbs of Johannesburg, showed 80% of respondents expected an increase in violent crime, especially "black-on-white" violence. Other companies contacted yesterday said the survey results bore out their own experience.

However, Chubb Electronics MD Andrew Williamson said political violence was not the main reason for the shift in people's fears.

"Political violence has no more serious impact than robbery," he said. Attacks of a political nature were targeted on areas with limited electronic security, he said.

Williamson said methods used in recent attacks differed from those used five years ago. "The robber who then used a screwdriver now uses sophisticated arms — leading to a greater concern for human life." Most companies agreed there was an increasing demand for panic buttons and efficient armed response.

York said the majority of his clients had indicated a preference for a conventional alarm system that summoned an armed response team.

(38)

Boycott has Springs on the ropes

Star

By Anna Louw
East Rand Bureau

Springs is in the grip of a week-long boycott by residents of KwaThema township in support of demands for the reinstatement of about 800 dismissed municipal workers. 3/8/93

Residents' demands include an amalgamation of the Springs council and the KwaThema and Bakerton councils. They also want facilities to be open to all.

A spokesman for the organisers of the boycott said yesterday that the action had been 98 percent effective.

A spokesman for a shopping centre said at least 55 percent of shops in the complex had been hit hard by the boycott.

"I may mention that there has been a drastic decline in shoplifting. Our security guards have not known what to do with themselves this week," said the spokesman.

Roadblocks have been set up at all entrances to KwaThema and residents' cars and personal belongings are being searched, mostly by youths. (30)

All goods known to have been bought in Springs are being confiscated and destroyed.

Millions earmarked for shopping centres

CT 21/8/93

(30)

By MAGGIE ROWLEY
Property Editor

THREE new shopping centres with a total investment of around R100m are in advanced planning stages for the greater Western Cape area, says Philip Upton, a director of Permanent Trust Association.

Upton said one of the projects, which would be unique in South Africa, would be financed by both local and foreign investment and could spearhead a further seven developments countrywide.

While he would not be drawn on further details, he said the form of development had been undertaken in Europe and had proved to be extremely successful.

"We have been working on it for four years now and only one facet of negotiation remains to be finalised."

The first project would require development capital of around R30m.

Also on the drawing board is a new 50 000m² shopping centre for "the south", planning of which was still in the early stages. Funding to the tune of around R65m would be via an institution, he said.

In addition a smaller commercial/industrial centre of about R10m was on the cards for the northern areas. Pre-letting of 25% of the space had already been accomplished and construction would start once 50% of the space was let, he said.

Upton said while retail vacancies had continued to increase in recent months, the new developments would be timed to coincide with an expected upturn in the economy.

In his six month retail review, Upton said retail vacancies for the Cape Town area, excluding shopping centres currently on the drawing board for development, stood at 185 000m².

Vacancies in the northern suburbs, which totalled 68 000m², were 40% higher than in the southern suburbs where 48 000m² of retail space was standing empty.

In the CBD 30 000m² of retail space remained vacant as did a further 39 000m² in the country districts beyond the areas of Somerset West, Stellenbosch and Paarl.

Upton said there was no doubt that landlords remained under pressure to maintain their rental levels with prime locations being difficult to let in the central city and the southern suburbs.

In spite of tough trading conditions Permanent Trust, he said, had concluded R9m of transactions in the first six months of this year.

In all, 52 leases were negotiated, including substantial leases with Diskom in Claremont, the Standard Bank and Jumbo Liquors in Montague Gardens as well as Romatex and Russell Furniture in Worcester, three transactions with the Inn Clothing Group in Worcester, Malmesbury and Table View, Standard Bank in Meadowridge and Mr Price Factory Shop in Golden Acre.

Upton said they were presently marketing four centres with only three shops left at the John Montague Centre in Montague Gardens and about 2 400m² had been accounted for in the new Western Province Park Centre in Goodwood.

State urged to buy from small firms • SARCC improves Soweto facilities

Small business is getting too little

Sowetan 2/8/93

(30)

"The National Economic Forum is a classical conspiracy of capitalists and what is worse is that it is going beyond being an advisory body"

By Joshua Raboroko

■ OVERSEAS EXAMPLES Call for appointment of small firms minister:

THE SMALL BUSINESS SECTOR, including the informal sector, represents between 30 to 40 percent of the total economy but has been allocated very little money in the Budget, according to managing director of Job Creation South Africa Mr Ian Hetherington.

Writing in a magazine, Hetherington says: "Furthermore it appears that the authority for the allocation of these monies has been given to the National Economic Forum which does not have the appropriate expertise to do this.

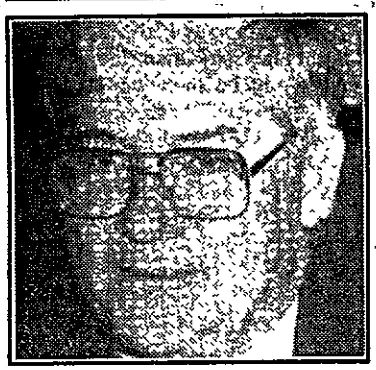
"We insist that the Government retain decision-making power and takes advice from all quarters — which in economic terms includes taxpayers, consumers, the unemployed and small firms sector — none of whom are in anyway adequately represented in the forum."

Job Creation is a management consulting firm specialising in all aspects of entrepreneurial development.

It has assisted several major corporations, foundations and development bodies to devise their own small business promotion programmes.

It has also made detailed recommendations to large corporations on the development of small supplier programmes.

Through performance contracts it has been able to create more than 500 new jobs by assisting would-be entrepreneurs to succeed.



Dr Ben Vosloo

Hetherington, who has just returned from the United States and United Kingdom where he investigated small business support groups, says he has no problem with "big labour and big business" advising the government provided the government also listens to other advisers.

"The National Economic Forum is a classical conspiracy of capitalists and what is worse is that it is going beyond being an advisory body.

An example of its unilateral decision-making is becoming apparent in the area of centralised bargaining.

"It appears to be agreeing that centralised bargaining will continue through the industrial council system.

"The state then gives statutory support to these agreements between big labour and big business and imposes them on non-participants," Hetherington says.

The small business sector needs to be separately represented as its interests differ from those of the corporate sector.

"Ideally we should follow the British and American examples and appoint a small firms minister and small business commissioner to look after the interests of the most efficient, job generating sector of the economy," he says.

He urges the state to set aside a portion of state buying for small firms.

"In the USA any state purchase of less than 25 000 dollars is reserved for competitive bids from small firms. The effect of this is that 34 percent of purchasing is from the small business sector."

The idea of appointing a minister for small business has been supported by the managing director of the Small Business Development Corporation, Dr Ben Vosloo.

(30)

Swop dealers give new look to bartering

S Times (Buss) 1/8/93

By TERRY BETTY

MORE than R9-billion worth of goods are exchanged through barter each year. The ancient form of trade has gone way beyond two people swopping goods and is now a sophisticated exchange of goods and services for trade credits.

Martin Kagan, managing director of Barterchek, the exclusive franchise holder of Itex, the world's largest retail trade exchange, says a company selling goods or services receives a trade credit which can be used to buy something from any other exchange member.

Flow

The exchange acts as a clearing house. The seller does not have to buy something from whomever he has sold the goods.

The advantage of barter trade is that the exchange generates sales and customers for the company that it would not otherwise have had.

It also increases a company's buying power because it preserves cash flow, expanding borrowing ability.

Mr Kagan says VAT on the transaction has to be paid in cash. The system is not a means to avoid VAT.

Barter is a marketing and cost-cutting tool for companies.

"For example, a company with trade credits uses another firm that is a member of the system. Sales are thus incremental. The seller would not have made the sale were it not for the barter system."

Barter can also increase cash sales to the company because exposure to new markets is likely to bring referrals.

Mr Kagan says Barterchek uses brokers as "transactional engineers". They spot opportunities and liaise with traders in the network. They help a customer to trade as much as possible.

Mr Kagan stresses that barter should not be used as a substitute for normal transactions.

He has customers who achieve a monthly turnover of hundreds of thousands of rands through the exchange.

Apart from the informal sector, barter operates on three levels — retail, corporate and international. The international version is also known as counter-trade.

Mr Kagan says Itex has a stake in Barterchek and will use his firm as a base to expand its barter trade in Africa.

About 1 000 SA companies belong to Barterchek. They include large corporations and small businesses.

Records

Mr Kagan says: "Corporates account for the largest percentage of the value of sales. But most transactions are by small traders. Anything from a hamburger or a haircut to seven-figure transactions can be 'paid' for through the system."

Barterchek acts as the clearing house as well as providing third-party record keeping, marketing and other services for members.

Organised barter has been in SA for about 10 years and in the US for 25 years. About 2% of American businesses use barter. In Europe, 10% of businesses are in the formal barter market.

The US barter business is said to be growing by 10% a year.

S Times (Buss) 1/8/93

SBDC hits back at black criticism

By KEVIN DAVIE

IT does not help to dismantle the only functionally effective hospital when there is an epidemic, says Small Business Development Corporation managing director Ben Vosloo.

Mr Vosloo was responding to an attack on the SBDC by Nafcoc president Archie Nkonyeni at Sun City this week.

Mr Nkonyeni said: "The SBDC has remained trapped in a culture that is not free of apartheid ideology. It remains a prisoner in a web of bureaucracy that appears totally insensitive to the changing economic milieu.

"Perhaps one of the most urgent requirements for the development of black business is the complete overhaul of the ownership, control and administrative arrangements of the SBDC to reflect the realities of the new SA."

Mr Nkonyeni suggested that the Government — it has a 50% stake in the SBDC through the Industrial Development Corporation — hand its shareholding to black business. Control of the SBDC would then reflect its true target market.

Mr Vosloo says the SBDC is the most effective and successful small-business development institution in Africa.

Roof

30

With a cash inflow of R884-million, the SBDC has granted loans of R1,6-billion to 42 000 businesses, of which more than 50% are owned by blacks.

"The SBDC is also the largest developer of business infrastructure in black areas with nearly 900 000m2 under roof."

Mr Vosloo says the SBDC is the first development institution to extend its services on a post-apartheid foundation to all communities.

"Our clients have provided and maintained more than 350 000 (mostly black) job opportunities."

Expectations of the SBDC need to be tempered with realism.

"The SBDC's assets are not enough to build one power station."

SBDC is granting from its own cash flow more than R20-million in loan capital a month to entrepreneurs. It receives 1 200 inquiries each working day.

"In the past financial year no additional capital resources were made available to the SBDC, despite the growing demand for its services.

"The SBDC extends a sincere invitation to the new leaders of Nafcoc to discuss their suggestions with its management. We will gladly assist them to play a meaningful role in developing black business in the new SA."

EDGARS Fm 29|10|93

Market share strategy

30

A first glance at Edgars' interim income statement shows margins squeezed from 13,8% to 12,4%, not surprising, probably, considering reduced consumer spending and

Fm 29|10|93

difficult trading conditions.

Then one learns from management that this is a deliberate squeeze, partly to compensate customers paying higher VAT in the light of the lower corporate tax rate. Group MD George Beeton says Edgars' interpretation of Finance Minister Derek Keys' new tax base is to stimulate business, and that's what they are doing by lowering prices.

A noble gesture? Perhaps, but also a clever strategy of gaining market share by lowering margins and bumping up sales. That shows, according to Retail Liaison Committee figures for the clothing, footwear and textiles market, in Edgars' increasing its market share from 30,5% at the last interim to 32,3%. (30)

Another way of looking at Edgars' strong first-half performance is to compare its 18% growth in turnover to the estimated 9% growth in national sales.

Tighter margins meant Edgars got only a 5% increase in operating profit from the 18% increase in sales, but with interest payments reduced by 22% to R28,2m (gearing has been reduced from 54% to 45%), and a level tax charge, there is a healthy 22% increase in attributable earnings.

At divisional level, Sales House recorded the best growth in turnover, climbing 41% to R342m. That includes the incorporation of recently acquired Shoecorp Shoe Stores (ABC and Cuthberts), which Beeton says is still losing money, as expected, and will probably take at least 12 months to turn profitable.

Edgars Stores' credit-based operations continue to provide the quality business, sales growing by 12% to R1,1bn but earnings

MANAGING MARGINS

Six months to	Sep 30 '92	Mar 31 '93	Sep 30 '93
Turnover (Rbn)	1,41	1,77	1,65
Operating income (Rm)	194	231	204
Attributable (Rm)	82	103	100
Earnings (c)	162	203	195
Dividends (c)	38	102	45

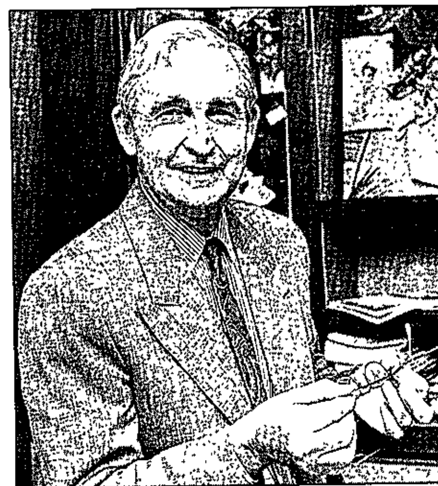
up an impressive 26% to R86m. Jet continues its turnaround, growing sales by 17% (R181m) and earnings by 24%, though it's still showing a loss of R3m.

Beeton says Edgars' other problem area, manufacturing arm Celrose, has been profitable for the past three months — largely by increasing unit throughput by 30% — but might still make a loss on the year.

Prospects, he says, are difficult to forecast given SA's transition, but he expects second-half sales and earnings to be in line with earnings growth in the first half, despite one week's less trading in the year ahead due to the inclusion of a 53rd trading week in the previous financial year.

Edgars will continue its strategy of expanding market share — ladies fashion has been identified as a potential area.

At R85, the share trades on an annual



Edgars' Beeton ... *should maintain earnings pace*

high. These results go some way towards justifying the price, though it looks expensive. Still, it remains a leading blue chip in the retail sector.

Shaun Harris

P.T.O. 7 7

...et forced to drop fuel discount

Govt gets tough on store

Sowetan 29/10/93

THE Government has forced Pick 'n Pay to withdraw its petrol discount price of 2c a litre with immediate effect today.

Director-General of Mineral and Energy Affairs Mr PJ Hugo ordered Pick 'n Pay in a letter to stop the discount scheme which it began five days ahead of the Government deadline. (55)

In an earlier letter to the company's chief, Mr Raymond Ackerman, Mineral and Energy Affairs Minister Mr George Bartlett gave notice that he would prohibit the supply of petrol to the company for a week as he was "convinced" the company was "wilfully disregarding regulations".

Pick 'n Pay director Mr Gareth Ackerman has said his company was being "treated like errant schoolchildren" and being "punished and scolded" in what was the "commercial equivalent of being gated".

He said that by constantly changing its mind, the Government had "succeeded in alienating virtually every sector of society" and was "playing a local version of Russian roulette with the economy". (30)

By its latest action it was "behaving like a playground bully", he said.

NEWS

Petrol discount duel in court

Bartlett's ban 'unreasonable'

Star 29/10/93

■ OWN CORRESPONDENT

MINISTER based Pick 'n Pay fuel decision on irrelevant considerations, court told

Cape Town — The conclusion of Mineral and Energy Affairs Minister George Bartlett that Pick 'n Pay's petrol discount scheme was likely to affect the general retail price of petrol was "grossly unreasonable", it was argued in a packed court yesterday.

The supermarket chain has applied to the Supreme Court in Cape Town to set aside the notice served on it by Bartlett on September 21 to stop its petrol discount scheme immediately or have its petrol supplies cut off.

The scheme, in operation at the Durban Hypermarket, entitles Pick 'n Pay customers who spend more than R10 at the store to a 7c/litre discount on petrol, supplied by the Hypermarket's petrol station.

This discount is paid by Hypermarkets (Pty) Ltd, a wholly owned subsidiary of Pick 'n Pay Stores.

Bertrand Hoberman, SC, told the court the Minister had prohibited the scheme under the mistaken impression that it involved the sale of petrol at less than the prescribed selling price.

But the price at which petrol was sold to the consumer was the full retail price. The only difference was that the 7c discount was subsidised by Hypermarkets (Pty) Ltd, he said.

In deciding to ban the scheme, the Minister had taken into account "irrelevant considerations", including the view that law-abiding petrol outlets would suffer severe losses in turnover, which would compel them to "revert to illegal and undesirable practices to offer cheaper petrol to customers".

J L van der Merwe, SC, for the Minister, argued that the petrol discount scheme amounted to a "sham" by which Hypermarkets (Pty) Ltd and Pick 'n Pay colluded to sell petrol at 7c less than the prescribed price. 30

"We submit that the court must look at the real intention of the parties concerned — in this case to sell petrol at the discounted price ... in order to gain more customers," Van der Merwe said.

The scheme was a plan to get around the illegality of selling petrol at a reduced price by having Hypermarkets (Pty) Ltd "cover up the difference", he argued.

"This is equivalent to an offence being committed by two parties who share a common purpose," said Van der Merwe.

He argued that if the court ruled in favour of Pick 'n Pay, the company would lose no time in extending the scheme countrywide.

Mr Justice J Conradie, sitting with Mr Justice F Brand, reserved judgment.

Retailer suspends fuel discount

Star 29/10/93

Pick 'n Pay has been forced to discontinue selling petrol at 2c/litre below the regulated price after the Government ordered oil companies to stop its petrol supplies.

Pick 'n Pay managing director Gareth Ackerman said the decision had been taken on the understanding that petrol supplies would be reinstated. 30

He said the laws on liquid fuels were draconian.

In a letter to Mineral and Energy Affairs Minister George Bartlett, Ackerman said it was inappropriate for the Government to hold out on deregulation of the oil industry. — Sapa.

Star 27/10/93

Cash boxes jingle at Edgars

(30)

BY STEPHEN CRANSTON

Edgars has reported a 20 percent increase in earnings to 195c a share in the six months to September.

The interim dividend is up 18 percent to 45c.

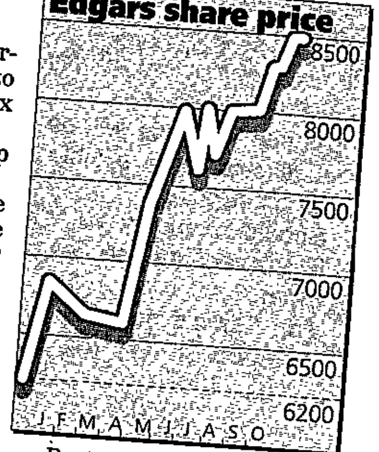
MD George Beeton says the group gained considerable market share during the year as national sales of clothing, footwear and textiles increased by nine percent.

While this represented real growth of one percent, Edgars increased sales by 18 percent to R1,653 billion.

There was an appreciable gain in its market share of footwear, boosted by the acquisition of ABC and Cuthberts from Amrel in June.

The existing chains — Edgars, Sales House and Jet — improved market share in children's wear, ladies fashion and home textiles.

Edgars share price



Beeton says there is scope for further gains in ladies fashion and that much of the focus over the next few months will be in this area.

Margins were reduced to achieve volume growth, with expansion of the low-priced Wise Buys in Edgars and of Bonus Buys in Jet.

Operating profit increased by five percent to R204,2 million. The operating margin fell from 13,8 percent to 12,4 percent.

Sales House remained the fastest-growing chain, with sales up 41 percent to R342,5 million and earnings up 27 percent to R22,9 million.

Both profit and sales in the core Sales House chain increased by 25 percent, with the remainder of the increase accounted for by the far less profitable ABC and Cuthberts operations.

The main Edgars chain increased sales by 12 percent to R1,1 billion, but earnings increased by 26 percent to R86,1 million.

Bad debt fell significantly following the introduction of more stringent collection.

The cash chain Jet lost R3,2 million in the six months because trading was particularly weak. This was, however, a 24 percent improvement on the first half of last year.

Sales increased by 17 percent to R181,4 million, but Beeton says there was a 30 percent increase in sales for the first three weeks of October and he is confident that it will make money for the year as a whole.

The Edgars balance sheet remains sound. Borrowings were up just five percent to R368,2 million and interest paid fell by 22 percent to R28,2 million.

Edgars is currently trading on a high of R85 and is fairly expensive on a P/E of 21,4 and a dividend yield of 1,7 percent.

But it has resumed substantial real growth after a hiccup a year ago and is worth accumulating for the long term.

Edgars confounds as earnings rise 22%

B Day. 27/10/93

MARCIA KLEIN

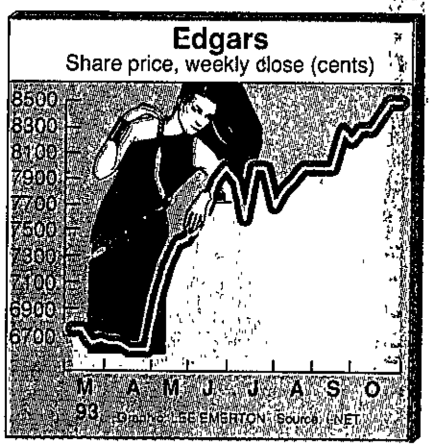
EDGARS, the clothing retailer in the SA Breweries stable, has beaten market expectations by reporting a 22% rise in attributable earnings to R100,3m (R82,4m) for the six months ended September.

MD and CE George Beeton said higher VAT, increased fuel prices, modest salary increases and unrest all constrained private consumption expenditure.

National sales of clothing, footwear, textiles and accessories rose by 9%, a 1% real growth after adjusting for sectoral inflation, he said. Against this background, the group increased market share, and turnover rose 18% to R1,7bn (R1,4bn).

Trading profit was just 5% higher at R204,2m (R194,4m). Beeton explained that with the lower corporate tax rate in mind, "selling prices and margins were deliberately reduced to compensate customers partially for the higher VAT". (30)

A 22% reduction in net financing costs to R28,2m (R36,3m), reflecting lower average borrowings, saw pre-tax profit rise 11% to R176m (R158,1m).



The reduction in the corporate tax rate — reflected in unchanged taxation of R75,7m — saw bottom-line earnings rise 22%. Earnings rose 20% to 195c (162c) a share on more shares in issue, and an 18% higher interim dividend of 45c (38c) a share was declared. In terms of divisional contri-

☐ To Page 2

Edgars

B Day 27/10/93

☐ From Page 1

bution, Edgars increased sales 12% to R1,1bn, and its share of attributable earnings 26% to R86,1m. (30)

Sales House's sales jumped 41% to R342,5m, and its contribution to attributable earnings 27% to R22,9m. Its turnover growth would have been 25% excluding the June 1 acquisition of Shoecorp Shoe Stores, whose operations (ABC and Cuthberts) have been incorporated into Sales House.

Jet Stores' turnover went up 17% to R181,4m, and its losses were reduced to R3,2m (R4,2m). Beeton said this was a bad period for Jet, as most of its profit accrued around the December quarter. It was expected to make a small profit at year-end.

Beeton said the inclusion of a 53rd trading week in the previous financial year reduced the group's investment in working capital that year and enhanced cash flows by about R100m. This technical distortion was reversed in the current period. In reality, cash flows remained healthy. Gearing was improved to 45% (54%).

Assuming that there would be no major deterioration in the sociopolitical environment ahead of the elections, the growth in sales and profit would be in line with the interim stage, Beeton said.

Earnings at Edgars shoot up by 22%

CT 27/10/93 (30)

From MARCIA KLEIN

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Increased sales

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Bartlett cuts Pick 'n Pay supplies

LINDA ENSOR

CAPE TOWN — Mineral and Energy Affairs Minister George Bartlett last night cut off all petrol supplies to Pick 'n Pay outlets for a week. BIDay

His order followed the group's decision to implement government's 2c/l price reduction immediately, instead of waiting for the official reduction on Saturday.

Bartlett's decision to cut supplies followed a flurry of faxes between Mineral and Energy Affairs director-general Piet Hugo and Pick 'n Pay MD Gareth Ackerman. They failed to resolve the dispute and Ackerman said the group was stocking up in the hope of withstanding the embargo.

In a fax to Ackerman, Hugo accused Pick 'n Pay of a "blatant disregard of present regulations and the present prescribed price", saying it appeared that the company was acting in wilful disregard of the law. He also said Pick 'n Pay was harming its opposition. (66)(30)

Unless Ackerman could explain the situation he would recommend to Bartlett that petrol suppliers be asked to cut supplies to Pick 'n Pay outlets for one month.

Pick 'n Pay's attorneys Sonnenberg Hoffman & Galombik replied, saying it was the company's practice to pass on to consumers any cuts in controlled prices without delay. The impact of implementing the price reduction would be minimal and would not be to the detriment of other petrol station owners. 27/10/93

They described the cut-off threat as "draconian and punitive in nature and wholly inappropriate in the present circumstances". The legislation had been designed to ensure adherence to the prescribed price and was not intended to be punitive. It would be unlawful to maintain a cut-off of supplies beyond Saturday, when Pick 'n Pay would be charging the prescribed price like everyone else.

Pick 'n Pay to meet Bartlett in court

LINDA ENSOR

CAPE TOWN — Legal representatives of two Pick 'n Pay companies and of Mineral and Energy Affairs Minister George Bartlett take up the cudgels in the Cape Town Supreme Court on Thursday to determine the validity of government's prohibition of a discount coupon scheme introduced by Pick 'n Pay in Durban. BIDay

Pick 'n Pay Retailers and Pick 'n Pay Hypermarkets have brought the application against Bartlett to set aside the prohibition he issued in September.

The applicants also request that, if they do not comply with the notice, Bartlett be declared to have no legal right to prohibit the supply of petrol to them. 26/10/93

In terms of the scheme, Hypermarkets issued shoppers at the Durban Hyper-by-the-Sea with coupons if they bought groceries worth more than R10. The coupon entitled the customer to a 7c/l discount (the amount by which the petrol price increased in September) from the petrol station at the hypermarket. The amount of the discount was paid by Hypermarkets, which ran an account with the filling station.

Pick 'n Pay MD Gareth Ackerman argued in an affidavit that the scheme abided by the law as the price charged by the filling station remained the prescribed price, which was paid partly by the customer and partly by Hypermarkets. 55

As the scheme had no influence on the purchase or selling price of petrol at any

30 ☐ To Page 2

Pick 'n Pay

BIDay 26/10/93 ☐ From Page 1

outlet, it was therefore not illegal.

A key element of the scheme was that the Durban Hyper-by-the Sea was a different legal entity from Hypermarkets, which was paying for the discounted petrol and which was beyond the ambit of the regulations as it did not own the garage and was not a seller of petrol. The petrol station itself was not giving the customer a benefit, as was prohibited by law. 30 55

But Bartlett argued that this distinction between the legal entities was irrelevant as the result of the scheme was to discount the petrol price. In any event, all the companies were acting together in a common scheme, he claimed.

In court papers Bartlett said it would be "extremely unfair to law-abiding petrol outlets if I ignore one outlet which introduces a discount system on the selling price of petrol". Law-abiding outlets would suffer a severe loss of turnover.

"As the existence of other outlets is at stake, they may even be compelled to revert to illegal and undesirable practices to offer cheaper petrol to customers."

Bartlett argued that the discount scheme would result in severe pressure on the prescribed price of petrol and this would eventually force him to increase the prescribed price once again.

His standpoint was supported by Motor Industries Federation executive director Wietsche Fourie, who said in an affidavit that promotions which discounted the selling price of petrol directly affected the cost structure of service stations. They drew customers away from competitors, placed pressure on their profit margins and affected their viability.

Fourie said that in July 1993 a federation survey of petrol outlets had indicated an average underrecovery of 2,45c/l prior to the margin increase of 0,5c/l in September.

"Based on the survey constants, it is therefore clear that an average service station outlet would make a profit on petrol sales only once the total underrecovery has been eliminated. It is the federation's view that the shopping coupon scheme in Durban is a thinly disguised discount action which has no long-term consumer benefits. It is essential that all petrol resellers continue to honour the various regulatory components in the industry."

☐ Sapa reports that Pick 'n Pay yesterday confirmed it would begin selling petrol at a discount of 2c/l at Pick 'n Pay filling stations from midnight last night.

● See Page 3

Pepkor weathers bruising recession

B/Day 25/10/93

LINDA ENSOR

CAPE TOWN — Food and clothing retailer Pepkor exceeded management's expectations by producing 5% growth in diluted earnings in the six months to end-August.

An interim dividend of 8,5c (8c) was declared on diluted earnings a share of 29c (27,7c). On an undiluted basis, earnings grew 8% to 30,4c (28,2c).

Chairman Christo Wiese said all group activities had been affected by the recession which had eaten into confidence, reduced disposable income and led to higher unemployment, especially in Pepkor's target market.

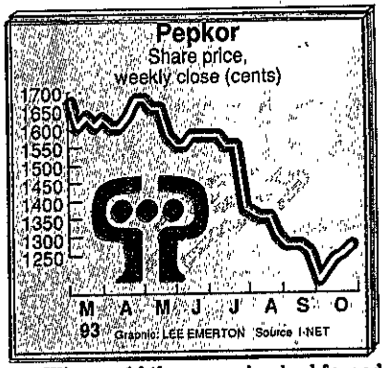
However, despite tough trading conditions, the group had maintained trading margins. Turnover increased 2% to R3,8bn and operating profit was also 2% higher at R98,9m.

The use of cash resources — which fell to to R292m (R373m at end-February) — reduced investment income 29% to R14,7m but this was offset by the 23% cut in finance charges to R21,9m.

The decline in the corporate tax rate was countered by certain operating companies becoming fully taxable during the six-month period.

Pep Ltd suffered a 5% drop in earnings but Shoprite Holdings, which increased earnings 7,7%, was firmly on track with its rationalisation and its expansion programme was continuing, Wiese said. Cashbuild increased earnings by 48% and Smart Centre by 19%.

Stuttafords was trading well though Ackermans had not reached the expected level of profitability.



Wiese said the recession had forced the group to become leaner and it was well placed to take maximum advantage of the upswing. The first signs of an upswing were apparent.

Pepkor was still in a consolidation phase and only normal expansion was being planned for the short term. Cash acquired from the 1992 rights issue was being used internally until required for an acquisition or non-organic expansion. (30)

Wiese said Pepkor was considering opportunities for investments in Zimbabwe, Zambia and Mozambique and might deploy the cash resources of Pep Botswana for this purpose.

Wiese expected to maintain the interim earnings growth in the second half, provided there was no deterioration in political circumstances.

Pep Stores' sales growth was expected to improve while the Scotland-based Your More Store chain was expected to break even in the next six months.

Parent company Pepgro reported earnings of 33c (32c) a share and declared an 8c (7,5c) interim dividend.

Pepkor ups earnings in 'toughest' market

(30) CT 25/10/93

By MAGGIE ROWLEY
Deputy Business Editor

IN the face of the "toughest ever" trading conditions, retailing giant Pepkor reported a 5% increase in earnings per share on a fully diluted basis to 29c for the six months to end August on a 2% increase in turnover to R3,8bn.

If the automatically convertible debentures issued last year are excluded, earnings a share were up 8% for the period.

Operating profit was also 2% up at R98,9m but profit before finance charges was down 3% at R113,4m — due to a 29% drop in investment income to R14,6m.

This was partially offset by a 23% cut in finance charges to R21,9m.

Taxation was down only marginally at R27,2m (R27,3m) as advantages from the reduction in the official tax rate to 40% were countered by the fact that certain operating companies, in contrast to the previous year, were now fully taxable.

Profit before extraordinary items was up 8% at R48,7m following a reduction in outside shareholders' interest and in earnings of associated companies.

After extraordinary items of R2,5m, net profit was R51,2m (R49,6m).

An interim dividend of 8,5c a share, up 6% on last year will be paid.

Chairman Christo Wiese said trading conditions had been the toughest yet, confidence was low, consumers' expendable income had been substantially reduced and unemployment, particularly in the market segment served by the group, had continued to rise.

These recessionary conditions had affected the group's activities at all levels and in the case of Pep Ltd it had hampered the acquisition of suitable trading sites in areas where they had wished to expand.

He said in spite of tight trading conditions and having to fight for every cent of turnover growth, the group had managed to maintain trading margins. In addition, these conditions had led to all the companies in the group becoming more leanly structured and were better placed to take maximum advantage from the upswing which "we believe is imminent and of which the first signs are discernible".

"There are straws in the wind — particularly the agricultural sector which is very important to GDP. That in itself will make enormous differences.

"In addition, the fixed investment projects such as Alusaf, Colombus and Namaquasands were taking place and money spent here would boost GDP. We also do not know what type of money will be coming from aid organisations.

"If the low-income housing sector gets off the ground that too will have benefits flowing directly into our own market."

Wiese said he did not believe the country would face runaway inflation once the economy picked up as retailers and manufacturers attempted to make up for depressed margins and deflation over recent years.

"Certainly during the period of a government of national unity there will not be too much room for irresponsible fiscal and monetary policies.

"Companies will not be able to build businesses on the premise that inflation will see them right as many did in the past."

Wiese said the entire group was in a consolidation phase and only normal expansion was planned for the short term.

He said growth in sales at Pep Stores, the core business of Pep Ltd, was expected to be better in the second half. Annualised results at Shoprite should show solid profit growth and Cashbuild, which recovered well in the past six months, was looking to even higher earnings growth as was Smart Centre.

Of the unlisted companies in the group, Stuttafords, whose market segment was least affected by the recession, was trading well while Ackermans had not yet reached the expected level of profitability. However, better results were expected for the second half.

Separate listings for these companies were still in the offing but would not take place for at least two years, he said.

He said barring a deterioration on the political front, they expected to maintain earnings growth in the second half.

● Pepgro Ltd, whose income is largely based on dividends from its 53% interest in Pepkor, reported attributable earnings of 33c (32c) a share. An interim dividend of 8c (7,5c) will be paid.

Pick 'n Pay to reduce petrol price early

B/DAY 25/10/93

LINDA ENSOR

CAPE TOWN — Another showdown over discounted petrol looms this week between government and Pick 'n Pay. Pick 'n Pay MD Gareth Ackerman said at the weekend the chain intended to cut the petrol price by 2c at all its outlets from tomorrow instead of waiting until Saturday.

Government announced last week that the reduction would come into effect on Saturday.

Ackerman said petrol tanks at all Pick 'n Pay's outlets would be filled today, providing supplies for four to five days.

Even if government issued threats, Pick 'n Pay was unlikely to back down.

The Brackenfell outlet's decision to immediately charge the lower price had been reversed on Friday in the face of government threats only because the decision had been "made by mistake", he said.

It was not a policy decision of the whole company.

Ackerman said government had delayed the price decrease for a week to enable small petrol station owners to lose as little as possible on existing supplies. However, they had taken large profits when the price went up by 7c, he said.

Pick 'n Pay's court application to sell discount petrol through a coupon scheme is to be heard in the Cape Town Supreme Court on Thursday.

Ackerman said Pick 'n Pay would await the outcome of the hearing to see whether it could discount petrol further.

Meanwhile, any impression in a full-page newspaper advertisement yesterday that Sasol planned to cut prices by 2,8c a litre was incorrect, a spokesman said. The

☐ To Page 2

Pick 'n Pay

B/DAY 25/10/93

☐ From Page 1

advert stated that greater operating efficiencies had made it possible for Sasol to absorb a 2,8c-a-litre reduction in tariff protection, "which is now passed on to you".

Sasol spokesman Jan Krynauw said this did not mean Sasol prices would be reduced by this amount.

"The 2,8c reduction applies to the petrol we produce, which is one-third of the total. Spread over all SA's production, our contribution represents 1,3c of the 2c a litre cut announced by the Minister."

The other 0,7c comes from a cut in the synfuel levy paid to the oil industry.

Protest action in the Border region would begin today with a go-slow during which taxis would travel at 20km an hour, sources in the region said yesterday.

PEOPLE'S LIVES *A vegetarian lawyer steals a meat pie then threatens to commit suicide*

Shoplifting

30

By Pearl Majola and Sowetan Correspondent

SOME PEOPLE DO IT for greed, others to fulfil an economic need. Some simply can't help themselves and a few even describe getting a sexual thrill out of it.

Whatever the reasons, shoplifting is proving to be a problem everywhere and is causing concern.

A British psychiatrist who conducts counselling clinics for shoplifters at Charing Cross Hospital and treats people who suffer from pathological shoplifting, Dr Neil Brener, says the problem is psychological.

"There are people who shoplift because of problems ranging from major mental illnesses such as schizophrenia to short-term problems such as bereavement or depressive illness.

"It's a massive problem," he adds.

■ MASSIVE PROBLEM *Millions of rands lost because of shoplifting:*

"There is a very strong compulsive nature to it."

Harry Kauffer, founder of the 11-year-old British Crisis Counselling for Alleged Shoplifters, agrees:

"Shoplifting is the only crime where large numbers of people who are not normally in trouble with the law commit offences for no apparent reason," Kauffer says.

He says that 50 suicides or attempted suicides a year in Britain are related to shoplifting.

One 68-year-old woman threatened suicide after she was arrested for stealing a meat pie. A vegetarian and well paid lawyer, she could have easily afforded to pay for it.

However, Kauffer discovered that she was nursing a sick husband, had recently lost a daughter and her son was going through marital problems.

But he also describes many of his cases as "casualties of the recession" — people who were high flyers and have lost their jobs or whose marriages have crumbled or are suffering from depression, anxiety and eating disorders.

South Africa is also producing its own "casualties of the recession". The problem is getting serious.

This week a group of 20 women believed to be common shoplifters but one of them armed with a gun, stormed into a clothing shop in Braamfontein, swept out all the clothes and got away.

In September alone 192 people were arrested for the crime.

"People are stealing for a living because of the recession: But on the other hand millions of rands are lost because of shoplifting, forcing some shops to charge higher prices to cover for these loses," says Wits police spokesman Sergeant A Pieke.

British shops also lose billions of pounds a year because of it. Much of the loss is attributed to professional thieves, juveniles who steal for a laugh or people who are supporting an addiction to alcohol or drugs.

Although shoplifting is often perceived as a woman's crime, Brener says statistics show that slightly more men are shoplifting than women in Britain.

His patients range from teenagers to 80-year-olds and come from every social stratum. He has treated doctors, policemen, teachers, nurses and even lawyers.

In South Africa Pieke says: "Shoplifting is done by people of all races, ages and from all walks of life. Rich people steal clothes and things like that to maintain their standard of living while poor people usually steal food."

Brener advises anyone who suffers from an urge to shoplift to realise that they are not alone and to seek professional legal and medical advice.

And, as concern grows over the problem, help seems to be at hand. Crisis Counselling for Alleged Shoplifters deals with up to 3 000 cases a year and operates a 24-hour helpline with 18 counsellors.

In South Africa Nicro is preparing to make proposals for a programme where, instead of going to court, first time shoplifters, especially teenagers, would go through a five-hour session at Nicro. The session would be aimed at making them aware of the consequences of shoplifting and the fact that it is a crime.

SUNDAY TIMES, Business Times, October 24, 1993

3

Pre-Christmas freeze on OK Bazaars' new orders

S/Times (Buss) 24/10/93

By TERRY BETTY

OK BAZAARS froze new orders this week and cancelled existing ones in an attempt to shrink stocks even though the Christmas season is close.

Financial director Geoff Kearney says: "It is a once-off, one-week effort to reduce stock levels, currently turning over — on average — every two months."

Some stores will resume ordering from tomorrow.

The freeze covered all goods other than essential lines and perishables and was implemented in all stores, including the more profitable Hyperamas.

A similar and successful freeze was carried out at OK Bazaars about the same time last year.

(30)

Mr Kearney says the action reduced stocks without hurting sales.

The latest reduction follows the R102,6-million decrease in stock in OK's year to March 1993.

Mr Kearney says shrinking stocks is not an attempt to sweeten OK's interim results, due in a few weeks. The action was taken 14 days after the cut-off date.

He will not say whether results will show stock levels to be too high.

Bringing its working capital under control is essential for the group, whose interest bill reached R123,8-million last year.

Mr Kearney will not indicate whether the OK has been successful in bringing down gearing, except to say it is an issue occupying most of management's time.

Management was revamped this year and Mr Kearney says it has set itself a target of three years to turn the company around.

In the revamp, some staff members are being placed on early retirement.

Unlike previous management, the current team does not have a shop closure programme. In fact, it opened a shop in Westville, Durban, this week.

"However, it is likely that some poor-performing stores will close if they cannot be turned around. Otherwise we would not be doing our job," says Mr Kearney.

Development plan to boost businesses

Business Staff ARG 23/10/93 (30)

A NEW regional industrial development programme will make it easier for medium and smaller businesses to apply for cash incentives.

In terms of the Simplified Regional Industrial Development Programme (SRIDP), announced at the end of last month, industrialists who plan to set up a new factory or expand an existing factory are eligible for the incentives, provided total assets do not exceed R2,5 million.

Industrialists can qualify for an asset-based incentive of 10,5 percent of operational assets (R2,5 million maximum) over a two-year period, followed by a profit-output incentive of up to twice the original amount, over a further three years.

Shoprite sees earnings rise

Star 21/10/93.

BUSINESS STAFF

Shoprite Holdings (formerly Tradegro) lifted earnings 7,7 percent to 29c per share (26,9c) to end August to increase profit and turnover.

Taxed profit rose 9 percent to R13,49 million (R12,38 million).

(30)

MD Whitey Basson says the results indicate that Shoprite Holdings, comprising Shoprite Checkers supermarkets, is well on track.

He says the results can be attributed to a sustained drive to maintain business discipline and an unwavering focus on lowest prices.

If sales growth were adjusted to include the additional sales week for the previous year, a real growth of 6,3 percent would be recorded, reflecting growth in market share.

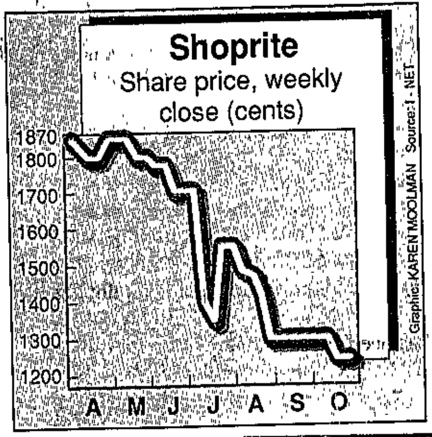
Labour problems hit Shoprite performance

BDay 21/10/93

CAPE TOWN — A five-week strike and consumer boycotts in May and June had a substantial effect on the interim results of food retailer Shoprite Holdings which consists of the Shoprite Checkers supermarket chains.

In the six months to end-August earnings rose 7,7% to 29c (26,9c) a share. It is not policy to declare an interim dividend.

MD Whitey Basson said he was "not unhappy" with the results, given the circumstances. Shoprite Holdings was healthy and on track.



LINDA ENSOR

Turnover edged up 2,3% to R2,6bn in the 26-week period compared with the R2,5bn generated in the previous 27 weeks. Basson said that if sales growth was adjusted to include the additional sales week for the previous year, a real growth of 6,3% would have been generated. This would reflect a growth in market share — the company claimed 23,5% in August. (30)

He said the group's market share had recovered and was closest to the highest level it had ever reached. It had sustained its drive to maintain good business disciplines and its focus on keeping prices low.

Food price inflation was generally less than 4%, Basson believed, pointing out that this too had had an effect on the results.

Operating profit rose a marginal 0,3% to R18,5m.

The rationalisation of Checkers had continued with the closure of a few stores, but most problem stores could not be disposed of as the climate was not opportune.

Finance charges fell 11,7% to R5,5m (R6,3m) due to the sharp reduction in interest-bearing debt to R79,7m (R133,4m). At end-August the group had bank balances and cash worth R132,9m (R187,5m). There was a 10,6% growth in after-tax profit.

Speedier payment on goods, services urged

(30)

CT 20/10/93

Business Editor

BIG business could give valuable help to small businesses by paying promptly for goods or subcontracting work — rather than making the supplier wait for 60 or 90 days, Theo Rudman of the Self Employment Institute pointed out at the Sacob convention yesterday.

He said afterwards that this could in some cases save a small business from going under, with a loss of badly needed jobs.

The convention agreed to a resolution from Durban Regional Chamber of Business that, "recognising the importance of the informal business sector and its role in job creation" all chambers should negotiate with local authorities to provide necessary facilities for informal sector activities to develop.

Chambers should also encourage such activities "in a manner that will be to the mutual advantage of formal and informal business alike."

Mark Norris of the Durban Chamber said that the informal sector was playing an important role in filling the employment gap and was "a seedbed for the formal sector."

Rudman said the informal sector was actually good for business because informal traders bought their suppliers from wholesalers and retailers — reaching a wider customer base.

NEWS IN BRIEF

Cray computers for SA

SA company Cordata would import Cray Research supercomputers, Cordata announced at a ceremony at the US Embassy in Pretoria yesterday.

The supercomputers, worth about R1,5m each, were extremely powerful and could be used in a wide range of endeavours, said Cordata sales manager Paul Castle.

Commercial crime

THE SAP's Commercial Branch had opened 25 134 dockets by July 31 this year, representing a potential loss to the economy of R5,72bn, a police spokesman said yesterday. In addition, the Office for Serious Economic Offences was investigating commercial crimes involving R2,3m.

Workers reinstated

DURBAN's Royal Hotel has unconditionally reinstated about 280 employees dismissed after a strike over Christmas bonuses began five days ago, MD Charlie Cable said yesterday.

Natal Liquor and Catering Trade Employees' Union general secretary Leela Reddy said: "Management and the two unions will carry on discussing the bonus issue until it is resolved."

Police campaign

THE SAP yesterday launched Operation Awareness, an initiative intended at reducing the number of vehicle collisions and crimes over Christmas.

The operation, according to police liaison officer Rob Askew, would involve increased numbers of patrolling officers, aircraft and police caravans on holiday routes.

Revamp for Beitbridge

THE Beitbridge border post between SA and Zimbabwe would be upgraded with a new freight complex and improvements to existing buildings to expedite the handling of tourist traffic, Deputy Finance Minister Theo Alant announced yesterday.

REPORTS: Business Day Reporter, Sapa, Own Correspondent.

Retailers expect sales to improve

B/Day 20/10/93

KELVIN BROWN

MAJOR retailers are optimistic that the downturn in the retail sector is over and predict that sales in October will be at their highest level since May last year.

However, they caution against any strong recovery in the near future.

Data released yesterday by the Central Statistical Service indicated that SA's 100 major retailers expected real seasonally adjusted sales in the three months to October to be up 2,5% from a decline of 0,4% in the quarter to July. (30)

Over the same period last year retailers predicted that sales would increase 1,4%.

Economists said the figures were further evidence of a recovery in the economy. But they warned against expecting a major increase in sales until consumer confidence had improved dramatically.

CNA CE Ian Outram said sales figures appeared to be less erratic than before. "It seems to be pointing to a levelling off in the downturn."

Sales had followed a volatile pattern for several months after the assasination of SACP leader Chris Hani, he said.

Outram did not forsee any big pickup in sales until consumers were more confident. "The uncertainty in the run up to the election makes an upturn unlikly before April."

CNA was not expecting this year's Christmas season to be much of an improvement on last year.

Old Mutual economist Rian Le Roux said the figures were encouraging. But there was still nothing to suggest the economy was on the verge of a strong recovery.

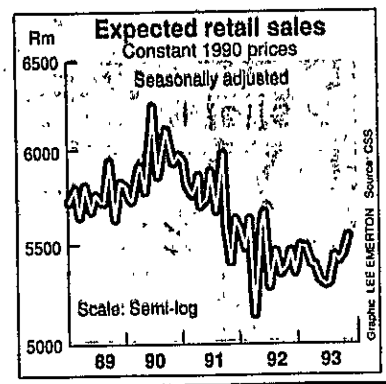
"Even when this does happen the man on the street will be the last to feel it in his pocket," he said.

The main reason for an improvement in consumer spending appeared to be the low level of underlying inflation in the economy, he said.

Salary increases were still around the 10% level but annualised consumer inflation in the four months to July was lower at around the 6,5% level.

The recovery in the agricultural sector after the end of the drought was pushing up retail sales, he said.

There could also have been some delayed buying after consumers put off purchases earlier in the year when the political situation become more uncertain, Le Roux said.



Clothing federation slams tariff hike

B/Day

LINDA ENSOR

CAPE TOWN — The National Clothing Federation (NCF) has hit out at the sharp increase in the tariff on certain knitted fabrics announced by Deputy Trade and Industry Minister David Graaff this week. 20/10/93

Graaff announced the changes to the interim tariff structure following recommendations by the Board on Tariffs and Trade. (184)

NCF president Aaron Searll said the decision to increase the duty on certain imported knitted fabrics used in the manufacture of bras, foundation garments and swimwear from 20% to 45% was unacceptable.

He said the highly inflationary measure would be harmful to the industries concerned and called for its immediate withdrawal.

When the announcement suddenly appeared in the Government Gazette on September 30 it was immediately opposed by the NCF, Searll said.

Engineering graduations 'must rise tenfold'

B/Day 20/10/93

EDWARD WEST

THE present annual number of engineering graduates would have to increase tenfold to meet future demands on engineering resources, SA Association of Consulting Engineers outgoing president Peter Thompson said.

He said a turnaround in engineering infrastructure investment from the current estimated negative growth rate of minus 2% to a modest 5% growth would see all current engineering skills resources fully utilised in less than two years.

There were about 50 000 engineers, technologists and technicians in SA, of whom about 28 000 were engineers.

Thompson expected an appreciable increase in funds in the short term for infrastructure for social services, which would leave engineering resources overtaxed — despite current unrest, wavering international support and the recession, which indicated lower investment potential.

Given an international economic recovery, the demand for engineering services would expand, making it easier for local engineers to operate internationally.

Consulting engineers would face major changes in methods of operation. They would have to choose between narrow, often highly technical, market niches and becoming multidisciplinary in addition to traditional engineering skills.

Pep lifts dividend marginally

Star 19/10/93

BY STEPHEN CRANSTON

Trading conditions got the better of blue-chip retailer Pep in the six months to August when its earnings fell five percent to 17,9c a share.

The strong cash-generating characteristics of the group, however, enabled it to lift the dividend by 0,5c to 8c.

Turnover was static at R653,2 million, but operating profit fell 12 percent to R67,8 million. (30)

MD Tony Haugthon says as a result of lower inflation, price increases have been small and growth of turnover from the retail division has slackened.

Costs are still tending upwards and putting margins under pressure.

Spending per customer has fallen because of the downturn, socio-political instability, consumer boycotts and the location of a number of Pep stores in unrest areas.

But there has been a healthy growth in customers who are switching from more expensive chains.

The sale of Ackermans in the previous financial year to Pepkor enabled Pep to reduce interest by 83 percent to R1,6 million. Net profit fell by five percent to R41,1 million.

Profits from the manufacturing division declined, although productivity and profitability remained well above industry averages.

The associate company in Scotland, Your More Store, opened another 13 outlets to bring the total to 42.

One-off opening costs were absorbed in the first half and the operation is expected to break even in the second half.

Clicks set to expand into healthcare

CT 4/9/93 (30)

By ARI JACOBSON

THE Clicks group would be looking to expand into "low cost healthcare products" as part of the group's long-term plan to the year 2000, said chairman Gordon Utian at its AGM yesterday.

Utian said that this would allow the group to corner the health, home and beauty markets.

The group also announced at a speical meeting that its shares would be split in the ratio of 10:1 from October and that its authorised share capital would be increased by about R9,6m through the creation of 8% convertible redeemable preference shares. Clicks also announced a change of name from Clicks Stores to the Clicks Group.

Utian said that the group would be intent on expanding in the current decade "into Southern Africa and beyond".

He pointed out that in line with this long-term vision the group planned to open 59 stores in the year to April 1994 even though "trading conditions have been tough in the first four months" of this year.

He said the Pharmacy Act would soon allow healthcare products to be sold at Clicks outlets.

He said that "good growth" was forecast in all the group's outlets — these are Clicks, Diskom and Musica.

SA Shareholders' Association chairman Issy Goldberg pointed out at the meeting that "the group has moved fast in the right direction" and added that Clicks could now be regarded "as a blue chip share".

The Clicks share price closed yesterday at R33 a share, which is 41% higher than its price of R23,35 a year back.

Clicks falls short of its budgeted turnover

B/Day 14/9/93

30

LINDA ENSOR

CAPE TOWN — Toiletries, household goods and music group Clicks had failed to meet its budgeted turnover in the tough trading period since its April year-end, CE Trevor Honeysett cautioned at the group's annual meeting yesterday.

Sales of traditionally stable ~~and reliable~~ stores had dropped off and turnover had not met expectations on a fixed-cost basis. However, despite this poor trading environment, Clicks had adopted a long-term approach, was in an expansion mode and remained committed to its investment in new stores and information technology.

Honeysett anticipated margins would come under pressure as a result of the group's investment strategy in a low-sales environment, but pointed out that all three chains in the group — Clicks, Diskom and Musica — generated a high proportion of their turnover over the Christmas season. Margins would, therefore, depend on sales achieved in this period.

Chairman Gordian Utian said while Clicks' growth this year was slowing down, the group was still growing and the slowdown merely indicated the group's results were not immune to the state of the economy in SA.

While business conditions had reached their low point and consumer confidence was fragile, Utian said he did not subscribe to "doom-and-gloom" views about SA's future and expressed optimism about Clicks' performance.

Honeysett added the group was being geared for the year 2000 and beyond and inordinate growth in all three companies could be expected not only in SA but in the whole of southern Africa.

He emphasised that future growth of the group depended heavily on its ability to handle information as the more information one had about one's business, the better business it would be. Major investments were being made in information technology to improve stock turnover.

Since the April year-end, 11 new stores had been opened and by end-April 1994 the group would have a total of 351 stores compared with the 293 in existence at end-April 1993. By year-end there would be 148 (139) Clicks, 112 (89) Diskom and 91 (64) Musica stores.

Also, Clicks had commissioned a major R20m warehouse and distribution centre in Cape Town to cater for distribution in the western and eastern Cape.

Next year Clicks planned to open a store in Namibia, while Diskom intended opening up in Lesotho, Botswana and Namibia.

Honeysett said the Clicks and Diskom chains were well positioned to benefit from changes to legislation governing pharmacies which would open up a new era of providing low-cost health care.

An extraordinary meeting representing 67% of shareholders unanimously passed resolutions changing the name of Clicks Stores Ltd to The Clicks Group Ltd; subdividing each ordinary share into 10 shares to create 226-million issued shares; and increasing the authorised share capital by the creation of 96,5-million 8% convertible, redeemable preference shares of one cent each.

Retailers glum over third quarter sales

BDay 14/9/93

(30)

LINDA ENSOR

CAPE TOWN — Retailers were very disappointed with business conditions in the third quarter and confidence dropped to an unprecedented low level, Stellenbosch-based Bureau for Economic Research (BER) director Ockie Stuart said yesterday.

Announcing the preliminary results of a nationwide survey in the trade sectors, Stuart said retail sales, which usually moved in tandem with the overall business cycle, apparently declined in real terms in the third quarter. As a result the net majority of retailers surveyed had continued to retrench workers.

Sales of new motor cars, which normally lead turning points in the overall business cycle, accelerated during the third quarter. Stuart said this trend was expected to continue during the fourth quarter.

Retailers expected a general improvement in business conditions in the fourth quarter and the net majority indicated that they planned to increase sales volumes by cutting their selling prices.

Third quarter wholesale sales appeared to be worse than a year ago, though a small net number reported better sales.

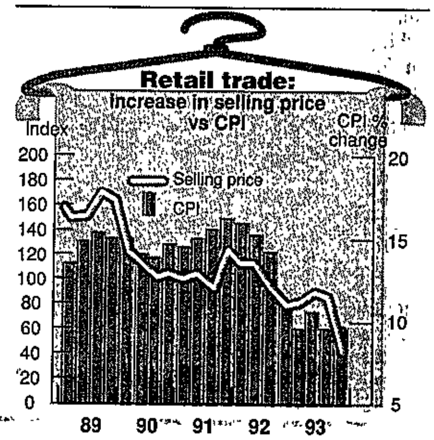
The net majority of wholesalers also indicated that they would be reducing selling price increases in order to boost sales volumes.

Stuart noted that inflation expectations among retailers decreased significantly in the third quarter, with preliminary figures suggesting that 56% of those surveyed expected the fourth quarter rate of increase in selling prices to be lower than in the same period last year.

BER's second quarter survey found that 15% of participating retailers expected the rate of increase in their selling prices to be higher than that of a year ago.

Stuart said the decline in inflation expectations was welcome as there was a correlation between changes in these expectations and changes in the consumer price index.

"It would now appear as if an average inflation rate of below 10% — perhaps significantly lower — is possible for calendar 1993. The recent increase in the petrol price will exert very slight upward pressure on inflation and consumers appear to be very price conscious," he pointed out.



Graphic LEE EMERTON Source: BER

They must like your company as well as your product

(30) WM 10–16/9/93

Corporate reputation is vitally important to a total quality strategy, argues David Lapin

TOTAL quality extends beyond the quality of the products we make and sell, to the quality of the people who make and sell those products. Customers worldwide now care more about the reputation of manufacturers and suppliers than about the reputation of their products. They have come to realise a quality company will always provide a quality product and servce.

After decades of marketing by brand-name and packaging, customers are now willing to abandon past loyalties in favour of no-name brands bought at reputable outlets.

The technological complexity of many products renders the ordinary consumer unqualified to make meaningful quality judgements. So, instead of being led by high-powered advertising and glitzy wrapping, he is now led by his judgment of his supplier's reputation. His relationship with his supplier takes priority over his past loyalty to a product.

Or, as Smythe, Dorward and Reback *(Corporate Reputation: Managing the New Strategic Asset)* claim: people won't buy just because they like your product. They have to like your company too.

This shift in customers' concerns requires an enormous shift in the content and method of companies' communications with the public. Just as internal communication had had to become less autocratic, so does external communication. Advertising can no longer consist of merely informing the public about the quality of the product or service. It must now become a process of engaging the public in a form of communication that makes it feel confident about the company's integrity in its commitment to quality.

The public is less interested in the product's features and more interested in the supplier's reputation, in his ethics. Not only are customers responding to companies' reputations, but communities are too.

Companies that enjoy a good reputation in their communities are less frequently targeted for mass action. When they are subjected to community or labour conflict, they are able to resolve the conflict more quickly and more smoothly than companies who do not enjoy a good reputation. A company's reputational assets have thus become, strategically, ever more vital to its performance and long-term survival.

The crafting of a corporate reputation cannot be achieved through unco-ordinated ventures into areas such as social responsibility programmes and affirmative action.

Corporate integrity, the foundation stone of a corporate reputation, requires a much more holistic strategy. Integrity implies the integration of the conduct of all the company's employees with its values, and the integration of the company's values with the cultures of its employees. It implies that the ethics of its trading practice is congruent with the ethics of its employment practices and its social responsibility initiatives.

Corporate reputation, like personal reputation, is hard to establish and easy to destroy. Its development and maintenance is in the hands not only of corporate leadership, but of every single employee. The calibre of the people we employ is vital.

Employee training must be complemented with people development. Reward systems must take cognisance not only of performance, but also of human quality. For, total quality extends beyond the quality of the products we make and sell. It must also incorporate the quality of the people who make and sell those products.

■ David Lapin is executive director of the South African Institute of Business Ethics

Workers in on the plan

(30)

Weekly Mail Reporter WM 10-16/9/93

CLOTHING retailer Sales House has asked its employees to help it come up with a business plan.

In a statement, managing director Arthur da Costa said: "I believe Sales House is certainly one of the first companies in South Africa to ask its employees for input in a document of this nature."

Marketing director Penny Lloyd said the idea had emerged while the company was trying to find ways to empower its workers. "Da Costa believes in employee participation," said Lloyd. "He consults his management team and staff and involves them in quite a lot."

Rather than saddle workers with the complexities of developing a strategic business plan, management drew up a questionnaire which dealt with aspects of the business plan. Workers are being asked their opinions on employee benefits, the location of stores, winning market share, funding and so forth.

All Sales House staff have been divided into 10 groups and a deadline has been set by which the staff contributions have to be ready.

Once the workers' responses have been received, management will discuss the answers with employees before incorporating them into the business plan.

"There is an enormous amount of excitement about the plan. People have a feeling that they are going to be heard," said Lloyd.

"We have to be careful of raised expectations, you can't put this to staff and then not let them hear something."

City offers many advantages

Black business 'drawn to Jo'burg'

Star 9/9/93

■ METRO STAFF

Johannesburg remains the most concentrated market in Africa and many black entrepreneurs and professionals are moving into the CBD to take advantage of this, says Wally Hart, national marketing manager of Old Mutual Properties.

"Old Mutual Properties is witnessing a growing band of black professionals and entrepreneurs who are establishing themselves on our properties. The city offers them many advantages, such as convenience, a massive market and a comparatively safe environment."

In the past few months, said Hart, the company had let more than 19 000 sq m in 75 deals.

"Roughly half those deals were with black entrepreneurs and professionals. For many the CBD represents a much safer environment, free from random violence or political turmoil."

He pointed out that more than 450 000 commuters passed through central Johannesburg each day and that the city remained the nation's banking and financial centre.

Despite the northward flight of many retail and commercial enterprises, Johannesburg continued to draw businessmen "who wish to profit from its myriad opportunities".

The company believed that Johannesburg would go the way of many other cities, with workers rather than managers choosing the location of work places.

Neil Fraser, director of the Central Johannesburg Partnership (CJP), believes that policies to promote the CBD as a place where people can live will be central to its overall revival.

"It is in the city's interest that people live close to where they work and I believe that the city council will certainly strive to help provide affordable quality accommodation in a stimulating, attractive and secure environment."

30

The CJP — which is a tripartite organisation, embracing business, the council and the inner community — was looking at the council's role in keeping CBD home rentals at economic levels, with strategies like "tax holidays" and that used in the southern US city Atlanta, where property tax was phased in over 10 years to assist developers and non-profit utility companies.

Foschini bargains on 36 new stores

(30) CT 9/9/93

By ARI JACOBSON

THE Foschini Group would be opening 36 new stores in the financial year to March 1994, said MD Clive Hirschsohn speaking after the group's agm yesterday.

He also forecast "real growth" for the year pointing out that this was the situation almost six months down the line.

The group has familiar brand names, such as Markhams, Foschini, American Swiss, Pages and more recently Sterns Jewellers.

"We are not looking to be aggressive acquirers, but will build on local appeal," he said.

Hirschsohn was quick to point out that 50% of its new business was coming from the "new world" community.

The group increased its attributable earnings by 25,4% to R103,5m (R82,5m) for the year to March 1993.

In its annual report chairman Stanley Lewis said that the success of the group had been based on "the ability to adapt vigorously and to have in place systems and methods of operating that maximise opportunities in the market-place."

Lewis added that the product focus of the group was "weighted towards the broad middle market" where growth would be more viable once socio-political and economic conditions had stabilised.

He said the group reached R1bn turnover for the year under review.

Romens 'takeover' quashed in court (30)

CT 9/9/93

Supreme Court Reporter

ROMENS MENSWEAR MD David Marks yesterday accused Lenco subsidiary House of Monatic of launching a hostile takeover by bringing an urgent application in the Supreme Court for the liquidation of his company.

Justice J G Foxcroft dismissed the application with costs.

In papers, Stanley Stubbs, a director of Lenco and Monatic, alleged that Romens Menswear, a subsidiary of JSE-listed Romens Holdings Ltd, in which Lenco had a 26% shareholding, owed Monatic R1,9m for goods sold and delivered.

Stubbs said Romens' current assets was worth about R4,6m and liabilities stood at R8,5m.

Based on his "in depth knowledge" of Romens' financial position, Stubbs said that Romens stores were incurring heavy losses and there was "no possibility of trading out of its present financial position".

In an opposing affidavit, Marks, Romens Menswear MD and financial controller of the Romens group, said that the company was solvent with assets totalling R8,53m and liabilities of R7,8m leaving a net surplus of R0,73 m.

Gavin Woodland, instructed by Miller Gruss, Katz and Traub, appeared for Romens. Richard Goodman, instructed by Sonnenberg Hoffmann and Galombik, appeared for Monatic.

Fm 3/9/93

COMMUNITY BANKING

A blend of loan and charity

Poor entrepreneurs must be helped — but not by the clearing banks

(30)

There is one important aspect of business that those with romantic or collectivist notions have difficulty acknowledging. Most large successful businesses began as small, struggling enterprises. Their future was, to say the least, uncertain.

In SA, most very small enterprises operate in the informal sector and have no access to conventional bank loans. That is because the lending risk they present is too high and the amounts they individually require too small to be economically viable from a clearing bank's perspective.

Not even the Small Business Development Corp (SBDC), established more than a decade ago to finance business too small for the formal banking sector, has been able to do much for the very poor trader. Though MD Ben Vosloo claims it is still the largest provider of "micro" loans, over the years they have come to number no more than 20 000. The SBDC, like clearing banks, has found that to survive it must lend most of its funds to well-established businesses.

Elsewhere in Africa, large clearers have been forced by governments to lend to indigent entrepreneurs. As a result, they have lost money and the financial system — itself a valuable economic asset — has more often than not been placed at risk. That is why the *FM* has consistently argued against even qualified politically correct banking.

But just as low-grade ore can, with changing circumstances, become worth mining, so in banking there is a substratum that holds some commercial potential, given the right method of exploitation. Indeed, that is happening on an increasing scale in this country, as it has done elsewhere — especially in India where millions of very poor would-be entrepreneurs need initial financial help.

Such aid is being provided by small groups of civic-minded and charitable men and women, using a mixture of minuscule loans and some charity to foster small one-man enterprises. The idea goes back to the mutual saving societies and impermanent building societies in England during the Industrial Revolution.

As currently practised in SA, it is a slow process, but one with the potential to gather momentum and create many solid small businesses. At the very least, it enables people to survive; some loans are as small as the cost of an iron that enables a Soweto housewife to take in washing and ironing.

There is, however, a major cause of concern about these organisations. All depend on a steady inflow of grants to meet their costs. Severe donor fatigue, or a switching of funds from SA to elsewhere for whatever reason, would see them disappear.

The oldest, the Get Ahead Foundation (GAF), provides a good example of why they are started, how they operate, and why they remain heavily dependent on donations. Created 10 years ago by a number of black leaders, it has been headed from the start by Don MacRobert.

He began by raising one-off grants from Premier Milling, UTC and Nissan SA, then went overseas to fish in a larger pool. Among those he landed were Coca-Cola, Merck and IBM (all of which disinvested from SA during the Eighties) and 16 governments.

Sewing session *it often starts with a needle*

With branches throughout the country, GAF is now lending R500 000 a month, MacRobert says. The average size of loan to first-time borrowers is still no more than R350; he claims that his organisation is creating over 1 000 jobs each month.

MacRobert's sense of achievement is justifiable. But how to make such lending pay its way, so that well-disposed organisations are not for ever having the bite put on them?

In trying to achieve that, micro-lenders resort to practices commercial banks would regard as bizarre. First, they demand a deposit upfront; in GAF's case, it's 10% of the required loan. Then some — GAF among them — require individuals to form borrowing groups, like *stokvels*. The lending organisation tots up what the group as a whole requires and lends the sum to it.

Repayments are made by each individual, not by the group, but the latter is held responsible for each member's repayments. "Peer pressure" is thus brought to bear on defaulters. Moreover, in GAF's case, members of a borrowing group must also pay in an agreed monthly sum to create a common savings pool, just as if it were indeed a traditional *stokvel*.

The SBDC long ago concluded that informal businesses could not afford to pay interest rates close to those charged by commercial banks. That is why most of its lending has been to established operations that can

BEYOND OIL DRUMS

Shadrach Khopotse's big chance arrived in 1986. A R2 500 loan from the Get Ahead Foundation (GAF) and the offer of free premises in the Johannesburg industrial suburb of Wynberg enabled him to relocate his fibreglass furniture-manufacturing business from his backyard in Alexandra and equip himself with something better than two oil drums and a plank. GAF also gave him and his two sons basic business skills. Today, their company occupies large premises (shown here) in Marlborough and employs 20 people making fibreglass mining-pump covers, stacking chairs and canoes. The company took its first commercial loan within three years of leaving Alex.

cont →

Fm 3/9/93 (30)

PART OF A PLAN

Eight years ago, Cecilia Maluleka borrowed R25 from GAF to buy chicken offal, pigs' trotters and sheep heads from butchers and sell them outside her house in Atteridgeville, near Pretoria. Two months later she upped the loan to R50. Within a year, she had made enough, with no further loans, to finance an extension to her house in which she successfully launched a restaurant and spaza and to buy a combi. Her current studies in confectionery are part of her plan to own a professional catering service.

afford them.

That perception is not shared by organisations such as GAF. Borrowers are hit with interest rates often close to 40% a year. If they repay their loans reliably, they are refunded their deposits — and that, MacRobert maintains, brings the effective interest rate down to about 25%. Still, he allows, GAF has had to break several laws in order to keep operating (the changes to the Usury Act in January to exclude from its provisions loans below R6 000, and repayable over fewer than 36 months, has helped GAF become a little more kosher).

There is no shortage of borrowers. The only other source of loans for informal businesses is township lenders, who typically charge 50% interest per week — and sometimes become very impatient if repayments are slow to materialise.

Despite high interest rates and pressure on borrowers, which together ensure that fewer than 10% default, GAF's income from interest falls well short of its administrative costs. In financial 1992, it was only about 30%. Now it is running at more than 50%, says MacRobert — but it will, he estimates, take as long as four years before breakeven is achieved.

Hazel's Cabin ... *from nothing to profit*

The reason is partly to do with inadequate economies of scale — the Get Up Lending Fund, a similar organisation started eight years ago, has a book of only R400 000, but runs up monthly pay and transport bills of about R15 000 — partly to do with the amount of sheer legwork demanded by lending to this section of the population. Borrowers often have to be visited at home, especially to collect payments, however small they are. A further reason is township violence, which prevents businesses operating and loan repayments being collected.

In other words, what has always been a risky business becomes even more so. Get Up's honorary secretary Lin Menge says only half its 1 000 borrowers are managing to make regular monthly repayments. With no buffer loan funds, she says, forward planning becomes impossible.

Finally, there is the constant need to raise funds. Efforts in this direction cost plenty — especially if overseas travel is involved — but, even if successful, the money gained doesn't produce loan-interest income for months or even years after the expense has been incurred.

None of this means these lending intermediaries don't have merit. Apart from giving a start to thousands of people, they provide valuable training — not only for the growing number of people who are assessing credit risk and otherwise dealing with loan clients, but also for clients themselves.

MacRobert

The training is usually confined to elementary bookkeeping, costing and marketing. Some organisations also provide or organise training in craft skills such as garment and curtain making (90% or more of borrowers are women, who need ways to earn income that will not remove them from their children for many hours at a time).

But this training is heavily subsidised by grants, because those who need it cannot afford adequate fees. For example, the Foundation for Entrepreneurship Development, launched in 1985 in Durban, charges students R400 for a seven-week, basic-skills course. Sponsors have to be found to cover the remaining per capita cost of R850 — and that, says manager Liz Coetzee, is getting harder every year.

Both Get Ahead and the Independent Business Enrichment Centre — launched in East London in 1991, and since expanded to Durban, Johannesburg and Port Elizabeth — talk of setting up as independent banks, so they can receive deposits from the public. Doing so might help them greatly expand their operations and thereby achieve viability. Some argue such "community" banks would also be politically more acceptable to the poor — borrowers or savers — since they would "own" them.

Such banks would presumably operate in terms of the recently gazetted Mutual Banks Act. But registration as a mutual requires, among other tough demands, a minimum of R10m in capital and reserves.

Independent Development Trust MD Franz Pretorius reckons the capital requirement will prove an impossibly high hurdle for micro-lending organisations.

Certainly it would be easier to raise capital if community banks looked economically viable. The Council for SA Banks, which has been investigating the idea of a community bank that one-time Perm MD Bob Tucker has been trying for months to establish, has yet to reach a conclusion.

Pretorius recommends that, rather than try to turn themselves into banks, micro-lenders should try to link up with commercial banks, acting as their agents or brokers in the informal sector. The idea echoes one for which the Mutual Banks Act makes provision: a "guardian" equity-based bank providing assistance and physical resources to a mutual bank while the latter is finding its feet.

In short, a good deal of thought is being given to methods for helping very small entrepreneurs financially. There is, however, a danger in that: if the provision of capital, however small the loans may be, is made too easy, fledgling business is unlikely ever to become sufficiently robust to fly. Put another way, if too much money were given to those who do not have what it takes to become successful entrepreneurs, the culture of dependency would be promoted.

It is, anyway, not just money that potential entrepreneurs need. They would also benefit from further deregulation and a sharp reduction in bureaucratic hassle.

That said, these small informal banks, while offering no panacea for macroeconomic problems in the short or even medium term, provide valuable business opportunity and support, and thereby stiffen the sinews of a sound and competitive economy. As such, it is a grass roots process worth nurturing — but not by clearing banks. ■

ENTERPRISE REWARDED

José Ribeiro Isidro fled the civil war in Mozambique, settled in Mamelodi near Pretoria, and in a backyard shack began making reproduction Cape Dutch furniture from recycled yellowwood floor boards. It found a market in Pretoria, so in 1988 he borrowed R5 000 from GAF to buy more equipment and take on staff. Today he operates from large premises in Eersterus where a dozen employees trained by him make bedroom and dining room suites and display cabinets. Last year he won the R10 000 *Sowetan*/Sanlam Entrepreneur of the Year award.

White shops boycott starts

30

CT 8/9/93

LOUIS TRICHARDT. — A consumer boycott of all white-owned shops in this Northern Transvaal town began on Monday and boycotters said it would continue until there was free political activity in the town.

The boycott was called after an application for a march by the Limpopo sub-region of the SA Democratic Teachers' Union was turned down and all entrances to Louis Trichardt were blocked, and black people were harassed on August 25.

A meeting to call the boycott was held at the University of Venda on August 29. — Sapa

Boycott of white shops

ALG 7/9/93

LOUIS TRICHARDT. — A consumer boycott of all white-owned shops has begun in this Northern Transvaal town and will continue until there is free political activity in the town.

(30)

The boycott was called by the Consumer Boycott Committee at a meeting at the University of Venda on August 29 after an application for a march by the South African Democratic Teachers Union was turned down, all entrances to the town were blocked and black people were harassed on August 25. — Sapa.

West Cape exporters meeting the challenge

S Times (C Metro)

By FRED ROFFEY

EXPORTERS in the Western Cape are proving daily that they have the products and skills to meet the challenge of the high quality standards demanded by developed countries.

From small businesses to big concerns they show that not only can the Western Cape make what other countries want but they are marketing it successfully despite keen competition in those countries. 5/9/93

This is the view of Wolfgang Thomas, formerly regional general manager of the Small Business Development Corporation (SBDC) in the Western Cape and now a development consultant.

In an interview, he said it was a myth that South Africa could not export industrial products on highly competitive world markets.

"A major clothing group in the Western Cape increased its export share of total output from a mere two percent to a respectable 10 percent over the past few years, while small businesses in the region are also achieving export increases.

"In niches such as crafts, better-quality clothing and furniture, special food products, agricultural tools and equipment, small producers have been able to meet the high standards of overseas countries at competitive prices."

Mr Thomas said a recent initiative by the SBDC among Western Cape crafters revealed considerable scope for top-quality exports. (30)

"Sponsored by the SBDC, a Pioneer Project Fund and, to a rather limited extent, by the Department of Trade and Industry, two people went on a three-week marketing trip to five major centres in Germany.

"They took along photos, samples and details of 265 craft products from 68 crafters selected in the Western Cape.

"First responses were amazing — out of 15 people invited in Frankfurt, 12 appeared in person on the arranged day."

Mr Thomas pointed out that the export challenge would now probably shift to the supply side, "to get the crafters to deliver the desired quantities at the promised quality and in the agreed time".

He warned that supply problems were often more critical than the opening up of export opportunities.

"Yet if our local industries and crafters want to expand their turnover and create jobs, they have to overcome these hurdles."

Entrepreneurs who start small but think big

Being your own boss

■ Weekend Argus Reporter **DALE KNEEN** takes a look at the businesses run by some of the finalists in the Entrepreneur of the Year competition.

30

ARGT 4/9/93

TODAY is the start of Small Business Week, an annual promotion aimed at advancing small and medium enterprises by creating an awareness of the significant role these businesses play in stimulating the economy through cost-effective job creation.

Entrepreneurs and prospective entrepreneurs will benefit from a wealth of seminars, exhibitions, lectures and other self-help events designed to inform and encourage individuals to become self-employed. The successes of some top small business people who have made use of Small Business Development Corporation (SBDC) finance will be highlighted at the Sanlam-SBDC Western Cape Entrepreneur of the Year Awards at Neethlingshof Estate in Stellenbosch on Wednesday.

A Khayelitsha pharmacist has dispelled scepticism about the necessity of First World healthcare in the townships.

Themba Solomon Mofokeng's Eyethu Pharmacy in Khayelitsha has quadrupled its monthly turnover since opening in November 1990.

age space to satisfy customer demand.

The SBDC granted them a further loan to finance the expansion in 1989 and the result was a threefold increase in turnover.

"Stock control and sound administration are essential for success in our business," says Eve, who also maintains close contact with her customers to ensure all needs are met.

Heinrich Conradie started his business on a freelance basis, designing and making moulds in a small garage with the aid of one labourer while he was still employed.

Today he employs 27 people at his manufacturing plant in Elsies River and makes a wide range of customised moulds, metal press tools and pressings, as well as mass production and packaging of plastic products.

With financial assistance from the SBDC, Mr Conradie's business, Pro-Moulders, bought land, buildings and additional injection moulding machinery in 1991.

"You have to respect the community before they will respect you and support your establishment."

Annelise van der Straaten had to give up her career as a regional sales manager for a greeting card company when her husband was transferred from Johannesburg to Cape Town.

After a few months of adjustment and restlessness, she saw her opportunity for entrepreneurship at the N1 City Shopping Centre and made a bid for the Cardies franchise.

Mrs Van der Straaten opened her shop in October 1990 with one sales assistant and a R70 000 loan from the SBDC after spending a lot of time investigating the projected sales figures and her personal commitment to the venture.

Three years later Cardies N1 City provides employment for two full-time assistants as well as casual staff over the Christmas season.

Figures for this year show a growth in annual turnover of more than 40 percent compared to last year, when it was named Cardies SA Shop of the Year.

"A strong belief in personal service, hands-on management, keeping the displays interesting with new merchandise and never being understocked" is Mrs Van

□ **MEDICINE MAN:** Chemist Themba Solomon Mofokeng, the owner of Eyethu Pharmacy in Khayelitsha, has the formula for success.

□ **FAMILY SERVICE:** The dedication and drive of Willem and Eve Mouton turned their corner café into a supermarket.

Thumba Solomon Mofokeng's Eyethu Pharmacy in Khayelitsha has quadrupled its monthly turnover since opening in November 1990.

Situated in a neighbourhood shopping centre, Eyethu Pharmacy was started with a R65 000 loan from the SBDC.

Mr Mofokeng, who previously worked in hospitals and other pharmaceutical practises, now employs two assistants.

He believes his fundamental responsibility is to provide accurate healthcare information as well as advice on over-the-counter medicines.

"This is important because escalating healthcare costs are prompting many people to self-medicate minor ailments for which they previously would have sought medical attention," said Mr Mofokeng.

By providing a reliable, personalised service, the business is steadily gaining credibility and market share in the community.

"In some cases I even give away the medicines for people to try out, telling them to come back to me when they have seen for themselves that it will make them better."

Mr Mofokeng enlisted the services of a qualified accountant to handle the bookkeeping of his business and, in order to improve on his own management and business skills, completed the SBDC's *How to start your own small business* course.

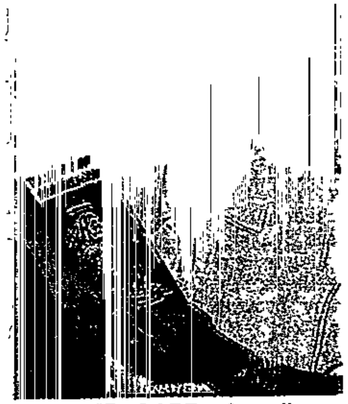
A father and daughter-in-law partnership has turned a small corner café in Walvis Bay into a large, bustling supermarket.

It's the **Will-Eve Supermarket which Eve Mouton and her father-in-law William** bought when it was still a small neighbourhood convenience store.

That was in 1987, the year in which Mrs Mouton notched up 17 years of experience in retailing.

With her father-in-law, a retired carpenter, she approached the SBDC and took a loan of R82 000 to buy the business.

They achieved their financial projections and soon felt the need to expand the shop floor and stor-



☐ **TRUMP CARD**: Annelise van der Straaten played her cards right by starting her own business.

Measuring up to international quality standards, Pro-Moulders is the only South African company authorised to manufacture a special type of air filter for a well-known air filter company.

Other sizeable contracts have been secured from corporate clients and negotiations are under way with large retail companies.

The 41-year-old entrepreneur attributes his success mainly to his trust and belief in God and by simply "providing good service and a well-executed job".

Leon Hector, previously an electrical contractor, used to help out in Stellenbosch's Cloetesville Liquor Store owned by his father and 16 other shareholders.

He saw potential to expand the business and increase trade, but his suggestions fell on deaf ears.

So he decided to buy the business three years ago with financial assistance from the SBDC.

The business, which has a liquor outlet, a public bar, a disco and a cabaret hall, has improved its turnover and profits.

Mr Hector employs six permanent staff members and they are trained to work in all departments.

He makes deliveries, does repairs and admits he is not scared to help clean up when there's a mess.

He owes his success to tight financial and stock control, teamwork with his staff and close relations with the community.

A strong [illegible] personal service, hands-on management, keeping the displays interesting with new merchandise and never being understocked" is Mrs Van der Straaten's recipe for success.

David Wightman had been an employee in State or para-statal organisations all his working life but he "saw the writing on the wall" and decided to leave.

He was working as a senior horticulturalist for Eskom, but he felt his job was no longer secure due to long-term restructuring of the company.

Instead of waiting for the inevitable, he approached his employer about the possibility of a management buy-out.

He took the plunge into self-employment in May 1991 when he started up Plants Cape (Pty) Ltd with the assistance of a loan from the SBDC.

His colleague and fellow-horticulturalist, Ernst Thompson, joined him and took up a share in the business.

The company supplies a horticultural and environmental service, ranging from the supply and maintenance of indoor plants for offices and functions to environmental impact assessments, landscaping and weed control.

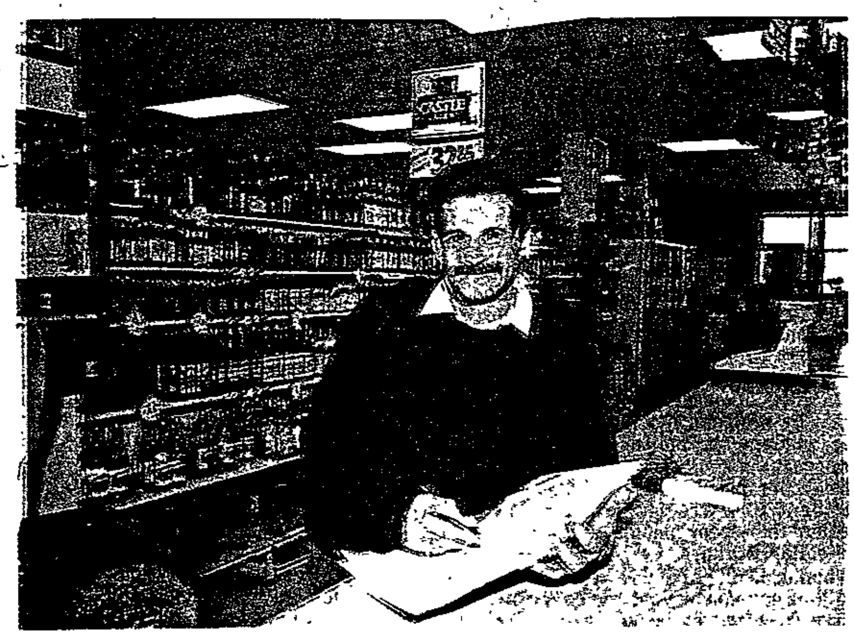
For a limited period Mr Wightman has secured a guaranteed sub-contracting agreement with Eskom, which will assist with the changeover while he expands operations to the private market.

Plants Cape provides employment for 20 people and is growing slowly but steadily from a turnover of just under R800 000 in its first year of operation. "My biggest challenge was to change all the old systems and attitudes both in myself and my staff," Mr Wightman admits. "Although I earn less n[illegible] than when I was an employee, my time is my own and I can work without constraints."

Plants Cape provides a unique product in the Western Cape because of its focus on the hydroculture method of indoor plant production. In contrast to soil-potted plants, these plants are physically supported by clay pebbles and fed by nutrients added to the water supply.

ton turned their corner café into a supermarket.

☐ **RIGHT MOULD**: Heinrich Conradie in his exceptionally clean and well-organised factory in Elsies River.



☐ **CHEERS**: The sucess of Leon Hector's liquor outlet and disco is due to teamwork and close relations with the community.

Enjoyable law-busting

30 ARGT 4/9/93

The Get Ahead Foundation has been forced to use a battering ram to break down the barriers that excluded black entrepreneurs from the economic mainstream, reports Business Correspondent MICHAEL CHESTER.

THE confession causes a jolt, especially coming from a highly respected attorney: "We have been breaking the law for years and enjoying every minute."

The admission makes a lot more sense, however, when explained more fully by Don MacRobert, managing director of the Get Ahead Foundation, which since the mid-1980s has been engaged in a crusade to bring black entrepreneurs into the economic mainstream.

Mr MacRobert, founder chairman of the Lawyers for Human Rights tackling apartheid injustices, is talking about the times he has had to flout rules and regulations imposed to hold budding black entrepreneurs at bay from even a foothold in the business world.

"Breaking the law was inevitable when a battering ram had to be used to get through the barriers of red tape that tried to hold back black initiative," he said.

The hassles have proved worth it. A new count shows that the Get Ahead Foundation has been behind the launch of more than 15 000 mini-businesses since the mid-1980s — most of them starting as one-man operations but in turn creating many more thousands of jobs.

Moreover, the triumphs have been achieved on funds as modest as R7,6 million — meaning each new entrepreneur has been able to carve a niche in business on loans of R500 on average.

"Bringing problems down to earth and looking at the potential of the informal sector, we have discovered it's possible to create jobs for as little as R350 — only a fraction of the investment needed by the big companies in the formal sector."

Mr MacRobert pulls out the file on Shadrack Khopotse, who applied his talents as a woodworker to start a mini-business in his backyard in Alexandra.

From the base of a small loan from the foundation in 1986 he was able to move into a proper workshop. Today he runs S P Khopotse and Sons in nearby Marlboro, with a sales turnover of around R100 000 a month.

He tilted his skills to start producing fibreglass products like canoes, swimming-pool covers, bathtubs, water tanks, car accessories and drainage pipes.

Mr Khopotse is now on the brink of export orders to the United States and elsewhere.

"The successes scored by thousands of our borrowers have proved the potential of the latent black skills and entrepreneurship that can be mobilised when given the opportunity — maybe with only a few hundred rands," said Mr MacRobert.

The lessons have been taken to heart elsewhere in Africa. Get Ahead now acts as consultant to encourage similar initiatives in a growing list of neighbouring countries — Swaziland, Zimbabwe, Mozambique, Namibia and even as far as Kenya.

Layers of apartheid bureaucracy have not been the only frustration as the foundation battled to find a formula to assist black advancement among the unemployed and at community level.

There has also been the problem of access to finance, even in the most modest amounts, when aspirants have had no collateral to secure loans from the formal banking system.

The Get Ahead Foundation has used African solutions for African problems. It mobilised the stokvel system that has long been in use in black society to raise loans — with entire groups acting as volunteers to guarantee each individual loan and, if necessary, using peer pressure to ensure repayment.

The system works. The foundation has found that only a minuscule proportion of loans have gone sour — even in the worst of times.

"During the sanctions era 16 overseas governments — plus hundreds of corporate and private donors — made contributions to our budgets when they learned about our operations," recalls Mr MacRobert.

"We have been able to set our 1993 budget at around R30 million — and the creation of new job opportunities has now accelerated to more than 1 000 a month.

"The Get Ahead Foundation has been one of several pressure points that have forced a dramatic reduction in the jungle of red tape," he said.

"Quite clearly, political reform will have no chance of success without economic development. The priority of the next objectives must be evidence that political liberation goes hand in hand with economic liberation."

Fighting forest fires with garden hoses

WM 3-9/9/93

The SBDC is joining up with NGOs and communities, but it is holding off from complete restructuring. Reg Rumney reports

NO dramatic changes were announced at the Small Business Development Corporation's annual general meeting this week, despite growing pressure for the SBDC to become more accountable and representative.

The extra R88-million devoted to micro-enterprises includes joint ventures with communities and NGOs. The move is at least partly a response to growing criticism of the SBDC from outside sources such as the National African Federated Chambers of Commerce (Nafcoc), and partly by a realisation within the organisation of the need for job creation by fostering smaller business.

The move was a result, said SBDC managing director Ben Vosloo, of "sensitivity to community needs".

However, Vosloo stays on, as does Rembrandt founder Anton Rupert as chairman. Both symbolise for blacks the preponderantly white, Afrikaner culture of the organisation. They also arguably have been the reason for the SBDC's success in mobilising both private and public sector funds in the past for small business development.

Vosloo said the SBDC had an affirmative action programme, focusing on employing and training blacks as business advisers, and said certain targets had been set, but did not reveal what those targets were.

He said the kind of skills necessary for the SBDC were scarce and such people had to be trained internally rather than brought in from outside.

In common with other organisations, the SBDC suffers from poaching of trained black employees: for instance, in the Eastern Cape region, Vosloo said, 10 black business advisers were lost to the private sector in eight months.

Asked how the SBDC was responding to pressures for change and the perception that it is a white organisation, Vosloo said: "The SBDC is prepared to discuss whatever changes can be brought about that would make sense."

However, he added, the SBDC was ultimately an "operational enterprise".

The whole area of small business development should be carefully analysed and reshaped, he said. Restructuring could not be done in a piecemeal fashion.

Nafcoc, which has been leading the crusade to change the SBDC, will meet the corporation next week to discuss, according to an SBDC release, "the composition of a suitable vehicle to investigate and make recommendations on the restructuring of the SBDC in the light of development needs of the new South Africa".

But Vosloo was careful to stress the SBDC would continue to do things much its own way, pointing as he has before to what he says are disastrously corrupt and bankrupt state-owned small business development organisations elsewhere in Africa as a warning of what might happen to the SBDC.

Vosloo said expectations of the SBDC exceeded its capacity. He pointed out the R60-million in loans to micro-enterprise at a loan size of say, R10 000, was equal to only 6 000 loans.

"We are fighting a forest fire with a few garden hoses," he said.

This sentiment is echoed in Rupert's chairman's address.

"During the past 12 years the SBDC has established itself as the major national small and medium sized enterprise (SME) development agency.

"It remained at the forefront of nationwide SME interest promotion and advocacy.

"But its position of prominence also generated a level of expectations which totally outstripped its available resources to meet those expectations.

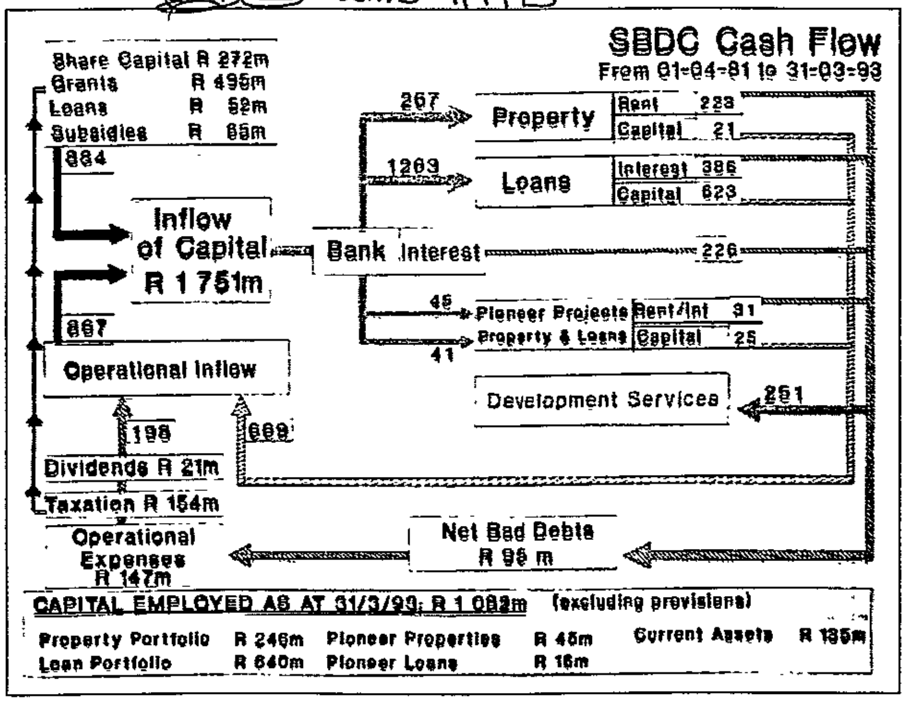
With total assets of R1-billion — not even enough to build one power station — the SBDC cannot meet the nationwide demand for small business development and support."

This was aggravated by the SBDC not receiving any budgetary allocation from the government to extend its capital during the past financial year.

"As a result, the SBDC had to curtail its loan financing, property development and support services to levels affordable in terms of its own cash flow — but much below the levels required by the needs of South Africa's small business sector."

Rupert noted the SBDC will participate in establishing a representative exploratory forum to look at the SBDC's role in small business development.

By the next AGM it was hoped the SBDC's board would have a set of proposals, he said.



Round and round it flows ... Black lines are inflow, red outflow, and blue is repayment of capital funds

Micro moves mean more money risks

Reg Rumney

THE Small Business Development Corporation will be sailing close to the wind financially in the coming year.

At a media conference this week before the organisation's annual general meeting, SBDC managing director Ben Vosloo revealed a new emphasis on riskier, more costly loans to "micro-enterprises" — ie truly small business.

This change in direction could mean the SBDC, which is run along business lines to conserve its resources, making a loss. The move, said Vosloo, would dramatically decrease the SBDC's income.

The R88-million for micro-enterprises will be directed through the SBDC's Pioneer Project Fund. It comprises R60-million allocated by the government to the SBDC and earmarked in the 1992/93 budget for micro-enterprise, supplemented from the SBDC's own income towards micro-financing.

Vosloo said the extra spending was supported by the National Economic Forum, and would be implemented in co-operation with other non-governmental and community-based organisations already active in promoting self-employment, entrepreneurship and micro-enterprise support.

The bulk of the money, R62-million, will go on small loans to fledgling businesses as well as promotion of joint venture contracting and subcontracting.

The remaining R26-million will be spent on establishing 60 business clinics serving the needs of 152 disadvantaged communities; marketing support programmes, projects with NGOs, aftercare and mentorship support and arts and craft development, among others things.

Vosloo said the move would mean both the costs and the bad debts of the SBDC would rise. These are already up in the past financial year.

The SBDC foresees the operational yield dropping from the 1993 figure of 4,8 percent to 1,5 percent in 1994.

This, as Vosloo pointed out, leaves a thin margin of error.

BUSINESS DAY, Friday, September 3 1993

Sales 4% down on forecasts

MARCIA KLEIN

RETAIL sales in June were more than 3% lower than major retailers' expectations for the third successive month, according to figures released by Central Statistical Service (CSS). B/Day

June's sales of R7,5bn were nearly 4% lower than had been forecast by retailers in the second week of June.

Market and industry sources said this meant retailers were not meeting their budgets. 3/9/93

Seasonally adjusted sales for June were 0,7% down compared with the previous month's figures. The largest decrease was in the sale of diamonds, jewellery and silverware, which showed a real decline of 6,2%.

In the quarter to end-June, seasonally adjusted sales dropped 3,1%. (30)

Economists said the trend was a clear reflection of a lack of consumer confidence and disposable income.

Retailers would find it difficult to meet their budgets, a problem already reflected in some results to end-June.

They noted that the CSS figures excluded sales in the informal sector. This might have masked the actual increase, as the informal sector had gained market share.

Pick 'n Pay joint MD Rene de Wet said the first six months had been the worst that her group had experienced, largely because of blows to the economy, including the VAT and petrol price increases and the death of Chris Hani.

Pick 'n Pay had seen an uptick in June and July, but August sales had not been as good. It was budgeting for an improvement from now on, but for "no major miracles".

De Wet said the informal sector was taking some market share, mainly because of an increase in hawkers' sales.

OK Bazaars financial director Geoff Kearney said trading conditions had been terrible in the first six months. However, OK's performance had been distorted by its aggressive relaunch, gaining it some share in a shrinking market. The informal sector would have affected sales of clothing, fruit, vegetables and other food.

Enterprise board mooted

BlDay 3/9/93

LINDA ENSOR

CAPE TOWN — The creation of an enterprise board to mobilise millions of rands in worker savings for investment in medium-sized businesses is being debated by the Western Cape Economic Forum and trade unions.

The proposal is being drawn up by the Labour Research Service, (LRS), which was also the architect of the socially responsible unit trust, the Community Growth Fund. Details of the board's structure and funding are being worked out, but the project's outline has won the endorsement of trade unions and development bodies.

LRS director Gordon Young said the board's aim would be to channel money from pension and provident funds into job creation, and small and medium business development.

It was envisaged that the board would invest in venture capital and expansion capital projects by acquiring equity or convertible debentures in them. It would be involved in a range of activities, and would support investments in new technology. Criteria for investment would include the recognition of trade unions.

While it was intended that the enterprise board would concentrate its activities in the western Cape, there was also a plan to create a separate, national funding vehicle which would invest in the board's activities as well as other small business development projects around the country. 301

Local authorities, business and foreign investors and aid agencies could contribute to the fund. Young said a merchant bank could take over the management of the dedicated investment fund. Investment opportunities were limited and growth probably would be slow, so Young believed it would be adequate to kick off with a capital sum of R50m.

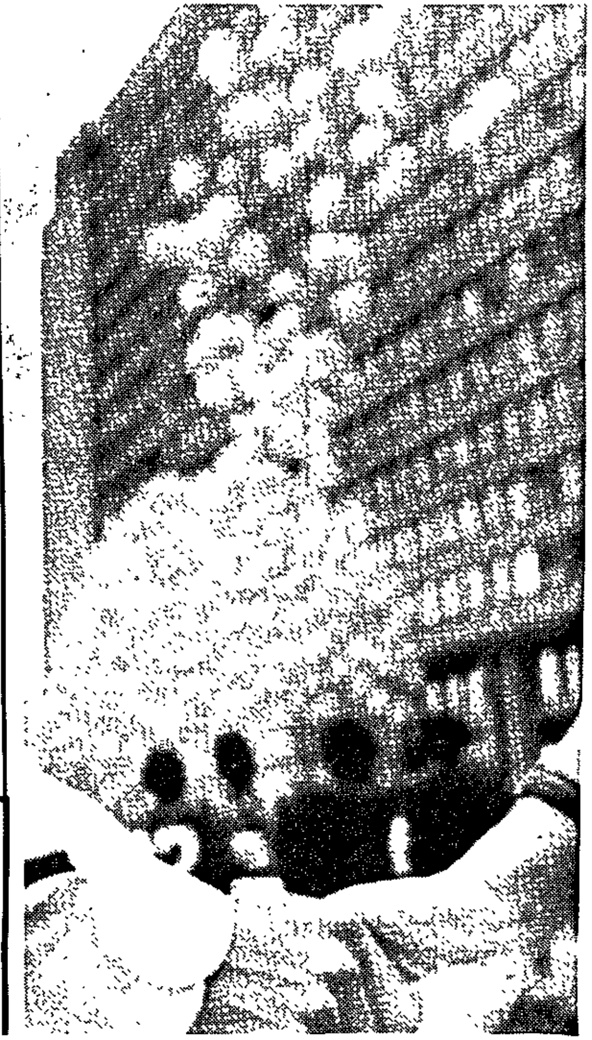
While risks would be greater and the returns might not be as high as other forms of securities, the investment in the fund would represent a small fraction of the total assets of pension and provident funds, estimated at about R150bn. Also, legislation restricted investment in non-listed vehicles to 5% of pension and provident funds' assets.

Young did not believe the enterprise board's activities would replace those of the Small Business Development Corporation as the SBDC operated like a commercial bank, perhaps taking on higher risks, but charging the same interest rates.

It did not take out an equity stake in a business and did not lend more than R1m, whereas the enterprise board would get involved with companies bigger than those catered for by the SBDC, but smaller than those eligible for a JSE listing.

The enterprise board would also be more active in looking for investment opportunities.

Southern African Clothing and Textile Workers' Union organiser Ronald Bernickow said the project was being discussed in Cosatu and in the national structures of individual unions.



EDGARS GROUP

Fm 3/9/93

Getting the mass market right

Sharper competition in the risky fashion market means sharper focus

(30)

Edgars has a knack for staying in tune with the market. Its success is clearly visible in the results for financial 1993: a remarkable 18% growth in EPS, in an industry which grew at a low 7%, and a balance sheet in good shape.

The figures should not divert attention from the intense difficulty of the trading environment. Edgars has not always been able to surprise the market with results which far exceed expectations. In financial 1992, for example, real earnings growth was not achieved — though admittedly this was the first year in five that had happened.

Fashion, of course, is in a state of constant mutation. Filling shops with merchandise people don't want, or which is out of touch with the times, is the path to insolvency.

Edgars' solution to this problem was the development of three independent chains.

Edgars Stores, a leading speciality retail fashion chain, offers clothing, footwear, household textiles and accessories on a revolving credit or cash basis. House brands play an important role; management is focusing increasingly on the concept of a shop within a shop. Sales House, like Edgars Stores, is a credit-based operation but sells clothing of a more classical nature to the middle-income markets. Jet, the cash chain, offers quality fashion merchandise to a broad mass of middle-class customers.

Edgars' management saw the potential of the emerging black market in the early Seventies. Its efforts are clearly visible in the success of Sales House.

At year-end, Sales House reported sales of R624m from its 112 stores, just under 20% of the group's total turnover of R3,2bn. The biggest contribution still comes from Edgars Stores, with annual sales in 1993 of R2,1bn.

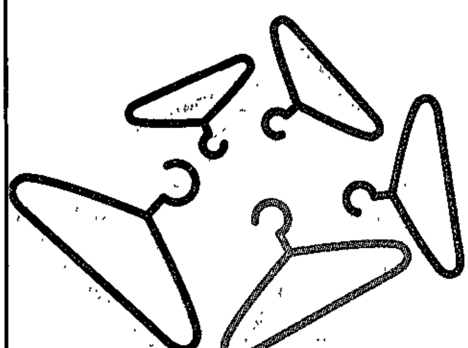
But its sortie into this market has not been without problems. The R30m acquisition of Ackermans in the early Eighties was aimed at the bottom end of the market; that was an area of trade that past management never really understood. Ackermans was later sold at a small loss to Pepkor; for Edgars this was a sobering learning experience.

Of course, this is the area of greatest interest: Edgars, having failed dismally with yet another attempt to penetrate the lower end of the black market, this time with Express (a small clothing chain), has decided to use Sales House as the thrust for its growth over the rest of the decade.

Ironically, the decision may have been made at the expense of Edgars Stores. This is a view which doesn't meet with complete acceptance among management. Financial director Mark Bower agrees Sales House has the greater potential, but is sure Edgars Stores will continue to grow.

Evidence from the strategies being applied — for many years the group has studiously wooed black custom — suggests Edgars is attempting to achieve a small miracle. Sales House was launched as a chain retailing clothes to blacks. Its policy now is to turn the chain into one which serves a multiracial client base.

In a sense, this has been done before. Examples are Foschini and Wooltru, which formerly were patronised almost exclusively by white shoppers and which now cater for all groups. However, it's never been done the other way round. Ed Hern, Rudolph analyst Syd Vianello says that if Edgars' unusual plan comes off, it will be remarkable.



Every hanger pays

Dividend stream

ACTIVITIES

Retails clothing, footwear and accessories through credit and cash chains. Also has a clothing manufacturing interest.

CONTROL

SA Breweries holds 65% **Chairman:** JM Kahn **MD:** GH Beeton **Capital structure:** 50,9m ords **Market capitalisation:** R4,07bn

SHARE MARKET

Price: 8 000c **Yields:** 1,8% on dividend: 4,6% on earnings; **PE ratio**, 21,9; **cover**, 2,6 **12-month high** 8 200c; **low**, 4 900c **Trading volume last quarter** 197 000 shares

Year to March 31	'90	'91	'92	'93
ST debt (Rm)	40,3	18,9	20,8	21,7
LT debt (Rm)	201	262	378	278
Debt: equity ratio	0,62	0,57	0,68	0,28
Shareholders' interest	0,34	0,35	0,36	0,40
Int & leasing cover	6,4	6,0	5,1	6,6
Return on cap (%)	26,0	26,0	23,9	24,8
Turnover (Rbn)	1,98	2,48	2,75	3,18
Pre-int profit (Rm)	288	353	373	426
Pre-int margin (Rm)	14,5	14,3	13,6	13,4
Earnings (c)	243	296	310	365
Dividends (c)	93	113	119	140
Tangible NAV (c)	746	930	1 122	1 346

Source, EDGARS

The recession has taxed the management skills of every retailer and Edgars is no exception. Changes in customer psychology have become evident. Faced with dwindling real income and rising costs, people have become more aware of value for money. Shoppers are better educated and better informed than ever before.

Close ties with international retail experts have kept Edgars at the forefront of overseas trends in retailing and technology advancements. Having led the field in SA in promotional discounting, a concept first carried out 11 years ago, Edgars is now following the most recent global trend of offering "everyday" low prices, as opposed to drawing customers who time their shopping around promotions. CE George Beeton says the aim is to give customers value for money and at the same time boost volumes.

Over the past three years the three retail businesses have continued to expand their share of the market. At the 1993 financial year-end, the group had cornered 36,1% of the market for clothing, footwear, home textiles and accessories.

However, closer examination of these figures reveals a dichotomy: on one hand, Edgars Stores' share of the market is on the retreat in almost all sectors; on the other, the group's portion of the specialist clothing business is growing steadily — thanks to the turnaround in Jet's fortunes and the exceptional performance of Sales House. This contrast within the group confirms that Edgars' long-term strategy is now to use Sales House as its primary growth vehicle.

The chain's contribution to group earnings rose 71% to R52m in the past year. And Sales House's share of the market has increased in every speciality. An interesting feature is the extent to which this operation depends on footwear sales — this is the chain's core business. Local footwear production reportedly fell 3% over the first six months of 1993 but this does not affect Sales House — its emphasis is at the higher end of the market, which hasn't been affected by cheap imports.

Jet's repositioning, with emphasis on the core fashion operations, has resulted in a much improved stock position, reflected in a 21% increase in sales. Though Jet returned a loss for the year, Beeton says it moved into a profit of R4m during the second half and claims trading this year has been good.

However, the principal opposition, Wooltru, finally seems to have got its corporate act together. It means previously unhappy Woolworths customers — many of whom deserted it in protest against what was seen to be bad buying, sloppy merchandising and ludicrously high prices — will now be invited

cont →

to return. And, given that Woolworths has always been a cash-based business, CE Colin Hall has a new weapon — a debit card system, patterned on the UK's Marks & Spencer, and available from October.

This presents Edgars' management with a direct challenge. The group's performance owes much to its credit-based sales growth of 16,6% to R2,45bn, or 77% of the total R3,18bn; Sales House increased the number of accounts on its credit base by 64%. Beeton is quick to allay fears by emphasising the operation's favourable bad debt figures; the marginal decline in the number of account holders in Edgars Stores, says Beeton, reflects the drive to clean up the debtors' book.

Edgars' results for financial 1993 — welcomed then as a remarkable achievement — have been partly overshadowed by the dramatic turnaround in Wooltru's fortunes. Its 62% increase in EPS (*Fox* August 27) are certainly impressive, though it's conceded that this was off a comparatively low base. Meanwhile, little can detract from the strength of the balance sheet; interest-bearing debt fell 37% last year, with a gearing ratio of 0,28.

Improved asset management is indicated in the more favourable stock levels, derived both from correct anticipation of the changing trading patterns and because quality of inventory is better. Beeton says better use of technology has brought subtle improvements; ordering is now closer to the time of demand and buying decisions are taken in response to accurate data.

Edgars' finery

Dressed for all occasions

	Sales (Rm)			Attributable earnings (Rm)			Trading area (m² 000)			Sales/m² (R)			Number of stores		
	1992	1993	%	1992	1993	%	1992	1993	%	1992	1993	%	1992	1993	%
Edgars	1 925	2 141	11	125	145	16	348	364	4	5 654	6 010	6	168	167	(1)
Sales House	470	624	33	30	52	71	94	97	3	5 010	6 484	29	110	112	2
Jet	300	364	21	(10)	(2)	79	115	116	1	2 611	3 167	21	73	74	1
Other	54	47	(13)	12	(9)		8						34		
Total	2 749	3 176	16	158	186	18	565	577	2	4 885	5 497	13	385	353	(8)

Source: EDGARS

FM 3/9/93

(30)

However, there's one area in this otherwise sanguine picture which isn't so good: it is Celrose, the manufacturing arm. It continues to lose money. Beeton defends management's commitment to the operation on the grounds that he considers it is a strategic investment. It ensures, he says, product diversity and its export capability may protect it from import constraints which could become a feature under a new government.

The share trades at R80, six times NAV. The price is close to its 12-month high of R82 (the year's low was R49, an indication of the great range in perceptions over a short period). Four months ago, responding to the group's preliminary results, the *FM* said it thought prospects were good, that its rating wasn't unduly demanding and that a better alternative would be hard to find.

That perception has changed, with Foschini and Wooltru competing seriously. Nevertheless, analysts are forecasting growth in EPS of 20% to 359c this year, helped by a lower tax rate. Investors with exposure to Edgars would do well to hold on to their shares; those looking to increase their holdings will have to pay up. *Marylou Greig*

APPOINTMENTS

Peter Ravenscroft, manager, Boland Bank, Caledon.

Francois Dowling, director, Epping Cold Storage.

Kobus Myburgh, director, Epping Cold Storage.

R88-m boost for black small business ventures

Business Staff (30) ARG 2/9/93

JOHANNESBURG. — Thousands of new black-owned small businesses will be launched in the next 12 months under a special multimillion-rand programme announced in Johannesburg.

The initiative, designed to speed the flow of budding black businessmen into the economic mainstream and unleash the potential of black enterprise, was revealed at the annual general meeting of the Small Business Development Corporation.

SBDC managing director Dr Ben Vosloo, anxious to make the 1990s the "Decade of the Entrepreneur", estimated the number of new black-owned micro business ventures in the pipeline at no fewer than 12 500.

The new jobs that would be created when recruitment started, he said, would underline that black enterprise was a key factor in finding solutions to the worst recession on record and setting the economy on a new course.

More than R88 million in new investments had been specifically earmarked for a Pioneer Project Fund that would concentrate on grassroots initiatives by black entrepreneurs seeking a chance to start mini-companies of their own.

The scale of the operation was limited only by a chronic shortage of funds.

All R60 million allocated to the SBDC by Finance Minister Derek Keys in the 1993 Budget would be ploughed into the exercise — plus R28 million from the corporation's own resources.

Dr Vosloo confirmed that the project — an additional layer to the normal SBDC programme of action — had the full support of the National Economic Forum and community-based non-government organisations engaged in socio-economic reform and job creation:

Some R62 million would be devoted to mini-loans to give newcomers a kick-start and encourage more partnerships with bigger companies as sub-contract suppliers of components and services.

Also, R26 million would be ploughed into support services for fledgling mini-ventures trying to find a foothold in the business world.

It was envisaged that a whole new nationwide network of "industrial hives" would be created at community level to provide low-rental workshops and back-up services.

At least 152 disadvantaged communities would benefit from 60 "business clinics" that would be set up to diagnose hiccups at the start of fledgling business operations — and seek remedies to any problems encountered at teething time.

Also, thousands of school-leavers unable to find jobs in the formal sector would be formed into a volunteer corps that offered the chance of on-the-job skills training and basic management experience inside new mini-businesses that had already paved the way to success.

Dr Vosloo said the programme promised to double the number of new jobs created by the SBDC every year and push the grand total of new employment opportunities opened up by the corporation since it was founded 12 years ago to well above 400 000.

NEWS

More opposition to forum's draft legislation

Threat to reform plan for councils

Star 2/9/93

(246)

■ BY JO-ANNE COLLINGE

There are clear signs that talks in the Local Government Negotiating Forum (LGNF) have hit rough seas and that the reform plan on nonracial councils may be headed for the rocks.

LGNF sources said this week that no date had been fixed for a plenary session of the forum — now more than a month overdue — but that the LGNF management committee was due to meet on Monday.

Opposition to the forum's decision to draft legislation to replace segregated urban councils with nonracial appointed councils for the first phase of transitional rule has mounted steadily since the plan was announced at the end of June.

The far Right predictably threatened to resist any attempt to implement nonracial structures. It is understood that there has also been opposition among local government bodies in Natal and the Cape.

In addition, a number of white ratepayers' bodies have expressed disquiet that change will proceed over their heads.

The DP has criticised the process of local government reform, describing the LGNF as an unrepresentative structure comprising basically the Government and the ANC, in the guise of the SA National Civic Organisation (Sanco).

While Local Government Minister Tertius Delport declared recently that he was not about to back down under pressure and that local government reform was very much part of the Government's agenda, talks have clearly got tougher.

The ANC and Sanco, original proponents of appointed transitional councils, nevertheless regard the councils as a concession on their part. Black voters would remain under-represented on councils constituted on a 50:50 basis by statutory and non-statutory parties.

It is an open question whether the non-statutory parties will make further concessions, or simply shelve local government reform until after the election in April.

New boycott of Boksburg in pipeline

Star 2/9/93

The Vosloorus Civic Association is planning a new consumer boycott of Boksburg after a march to the civic centre on Saturday, VCA general secretary Vusi Sikhakhane said yesterday.

The marchers will hand over a memorandum to the Boksburg council demanding a nonracial interim local government and the return of furniture allegedly confiscated last year. The residents are also complaining of harassment by the SAP's Internal Stability Unit.

(30)

"The boycott will continue until our demands are met," Sikhakhane said. — Staff Reporter.

Business 'wants action not talk from economic forum'

CLIVE SAWYER
Municipal Reporter

(30) ARGT 2/9/93

BUSINESS was keen for the Western Cape Economic Development Forum to yield results and not merely be a talking shop.

Cape Chamber of Industries delegate Chris Newton said this at the third plenary session of the forum.

He said the country should aim at a seven percent growth rate, and there was concern about whether the forum — set up a year ago — was going to deliver the goods.

Cosatu delegate Tasneem Essop, commenting on the report of the forum's development strategy commission, said specific strategies rather than "a shopping list of visions" were needed.

The forum, which represents labour, civic, government and business organisations, yesterday adopted a draft vision document and draft guidelines for the release of public land.

Outgoing forum chairman Leon Markovitz said it was not the policy of the forum to ask for a freeze on the sale of public land.

African National Congress delegate Basil Davidson said the draft policy on public land was aimed at facilitating development, not imposing a moratorium on transactions.

The draft guidelines said the forum believed a blanket moratorium on the release of public land would be neither feasible nor beneficial.

Black business gets R88m boost

B/Day 1/9/93

THEO RAWANA

THE Small Business Development Corporation (SBDC) was pumping R88m into black business development, MD Ben Vosloo announced in Johannesburg yesterday.

He told a media briefing at the corporation's AGM the financial injection consisted of R60m allocated to the SBDC in the 1992/93 Budget for micro enterprises and R28m from its own operating income. (30)

The development project, which would be channelled through the SBDC's Pioneer Project Fund, enjoyed the support of the National Economic Forum and would be implemented in co-operation with other non-government and community-based organisations involved in small business development.

Vosloo said R62m would be used for micro loans to fledgling businesses and to facilitate joint-venture contracting and subcontracting.

The remaining R26m would be for ventures such as the establishment of 60 business clinics serving 152 disadvantaged communities and the setting up of community-based "industrial hives" and marketing support programmes for flea markets, hawkers' trolleys and market stalls.

Other schemes which would benefit would be micro enterprise aftercare and mentorship support, and arts and crafts initiatives.

Various projects had already begun, he said.

ROBYN CHALMERS reports the SBDC will restructure after recent calls by trade unions for greater representation on its board.

Vosloo said the SBDC was willing to discuss the demand by trade unions that they acquire a one third representation on the board. "The action committee of the SBDC board's executive committee recently decided to participate in the establishment of a representative exploratory forum to investigate and consider the future of small business development needs of SA."

The SBDC had also embarked on an affirmative action programme to ensure staff levels were more representative of the SA population.

National African Federated Chambers of Commerce (Nafcoc) president Archie Nkonyeni recently called for an overhaul of the SBDC.

The two organisations met to iron out their differences, including black involvement in the SBDC's equity, black representation on the regional boards, an Africanisation of top positions of the SBDC and the body's effectiveness in the development of black business.

The upshot was that Nafcoc and other relevant business-related stakeholders would band together to look at practical steps to incorporate the broader spectrum of business leaders in the SBDC's planning and policy making process.

Vosloo said the SBDC was faced with a lack of funding from government and other sources. In spite of this, net income after taxation and provisions had increased from R15,4m to R18,1m for the year ended March 1993.

Net income before taxation declined from R49m to R39,7m because of a higher net bad debt write-off, but a reduction in taxation from R33m to R22m and a marginal increase in attributable income from associated companies to R509 000 (R476 000) helped boost net income.

During the year, 4 667 loans amounting to R278,7m were granted.

OK on 4-year trail

Sowetan 1/9/93

By Joe Mdhlela

OK Stores will over the next four years embark on a programme to increase the number of black employees in senior management positions in keeping with its objective to change its image.

During the same period, black personnel at supervisory level will be increased to over 1 000, public relations executive, Mrs Rene Brummage said. (20)

To achieve this, a black advancement programme has been established to train workers who show leadership potential.

The scheme, to be called the "equity programme", is aimed at empowering workers who will assume management positions at the end of their training.

To achieve this, the company will be spending million of rands.

The company has appointed Mr Chris Kwazi as equity executive to spearhead the programme.

Mr Perfect Malamela, an independent consultant, will be running workshops to introduce this programme, Brummage disclosed.

The company's personnel operations director, Mr Bill Rice, is heading the overall project.

Brummage said candidates for the programme need to have a minimum Standard 8 education.

"A sense of loyalty to the company and a desire to create a career with the company would also be an important factor in selecting candidates," she said.

Separate equity managers at each region have been appointed. They are Mr Lennox Lehlongoane (Western Transvaal), Mr Isaac Barole (East Rand), Mr Alfred Ncube (Pretoria), Mr Walter Kototsi (North Western territories), Ms Pauline Holdsworth (Johannesburg), Mr Firdous Jacobs (Western Cape), Mr Barry Possiwe (Eastern Transvaal), Mr Alpheus Mseleku (Natal), Mr Petrus Racateng (OFS) and Mr Voyo Ncqobongwana (E Cape).

SBDC comes in for criticism

THE Small Business Development Corporation came under fire at the Task Group workshop at UWC. (30) ARG 1/8/93

The workshop took place against the background of changes in the SBDC, whose Cape director, Mr Wolfgang Thomas, was moved sideways into the job of special projects director last week.

Although Mr Thomas would not comment on the change, sources at the meeting saw the move as an attempt by the SBDC's Johannesburg head office to tighten its control of the Cape operation.

The SBDC has been criticised for favouring bigger — often white — operators and for charging high interest rates on small loans.

Cosatu regional task group member Mr Tony Ruiters called for the restructuring of the corporation.

"It will be a struggle to change the SBDC but it can't go on in the old way", he said.

Ms Claudia Manning, researcher at the Friedrich Ebert Stiftung, called for an independent inquiry into the running of the SBDC. She said the corporation "reflected present undemocratic structures".

lay, August 30 1993

SBDC, chambers link up to assist black businesses

THEO RAWANA

THE SBDC has linked up with Nafcoc affiliate the Southern Transvaal Association of Chambers of Commerce to cater for black business in the southern Transvaal, the SBDC said at the weekend. BiDay

The corporation has been under fire from Nafcoc and the association in recent months because of alleged failure in its mission to address the needs of disadvantaged people.

Nafcoc president Archie Nkonyeni last month suggested a "complete overhaul of the ownership, control and administration arrangements of the SBDC to reflect the realities of the new SA". 30/8/93

The SBDC said last week it and the association would set up a joint liaison committee which would meet once a month to: (30)

- Identify larger business development opportunities in the black community; and
- Discuss any specific problems arising from loan applications to the SBDC, credit control difficulties and address possible problems arising from loan applications.

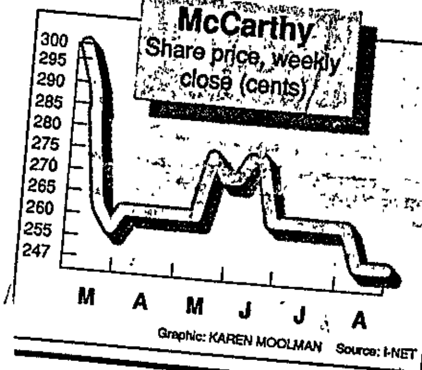
The committee would expand old, and create new, marketing assistance initiatives as well as those aimed at improving the viablity of business.

The SBDC's Jo Schwenke said the initiative would enhance the corporation's effectiveness in the development of black business.

"It will also address the issue of matching what the SBDC can do with people's expectations, and therefore prevent unnecessary disappointment," said Schwenke.

Lower corporate tax helps McCarthy

BDay 30/8/93



MARCIA KLEIN

McCARTHY Retail, formed out of the July 1992 merger of the McCarthy motor and Prefcor retail groups, has increased earnings by 12% to 48,2c (42,9c) a share in the year to end-June as a lower corporate tax rate offset weak trading conditions.

The group, whose main interests are McCarthy and retailers Beares, Game Discount World and Bee Gees, has compared its maiden results with pro forma figures for the previous year, assuming that the merger had been in effect for the whole of

(30 (1)92) To Page 2

McCarthy

BDay 30/8/93 From Page 1

that year, CE Terry Rosenberg said.

Turnover was up 20% at R5,27bn from R4,38bn previously. But operating income before interest was 9% lower at R213m (R235m). This was, to a large extent, due to the underperformance of Game and Savells furniture stores in the Transvaal.

After higher interest payments, pre-tax income was down to R160,6m (R190,2m).

The reduction in the corporate tax rate, which also resulted in the release of R12,2m of deferred tax provided in previous years, resulted in a 17% rise in income after tax to R116,5m (R99,9m). Rosenberg said the tax benefits would continue, apart from the once-off deferred tax release — mainly in joint finance company Firstpref Retail Sales.

(192) (30)

Net attributable income rose by 6% to R89,2m from R84,3m. Rosenberg said former McCarthy Group shareholders would have seen their earnings rise to 76,3c from the actual previous 50,9c a share. Former Prefcor shareholders would have seen earnings rise from to 48,2c a share from an actual 47,7c a share previously.

A final dividend of 11c a share was declared, bringing the full year dividend to 19c (30c) a share. Rosenberg said gearing had been reduced to 19% (25%).

He said results were achieved in the face of tough market conditions. The group remained split into two businesses, McCarthy Motor Holdings and Prefcor Holdings.

McCarthy reported a 1% decline in the sale of new units, but earnings were maintained at last year's level. Its share of the new vehicle market dropped to 13,1% from 13,7%, largely due to a strike at Toyota at the beginning of the year, poor supplies from Volkswagen over a three-month period, and the disposal of two operations.

In Prefcor, six out of its eight divisions performed in line with budget.

Game and Savells Transvaal had performed below budget. Both had been positioned to perform better in the coming year. In furniture, all stores except the 29 Savells stores had performed well.

Rosenberg said he was happy with the merger. There was an increase in earnings and dividends at a group level, and Prefcor's balance sheet was stronger.

McCarthy Group, which has as its only interest its stake in McCarthy Retail, has reported diluted earnings of 76,3c (50,9c) a share, and a final dividend of 14c a share. Its full-year dividend is 24,5c (21c) a share.

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Small builders fold as prices fall

ROBYN CHALMERS

BUILDING costs have risen by just 5% against the average inflation rate of about 10% this year, but the slashing of prices by companies eager for business has caused hundreds of smaller firms to go to the wall. B/Day

Many of the building industry's larger organisations have downscaled their operations, particularly in the housing market. 30/8/93

SA Building Industries Federation (Bifsa) executive director Ian Robinson said building costs had been underperforming the CPI since the last quarter of 1990. (32)

"The last time there was any real increase in building costs was about two-and-a-half years ago, which has taken a terrible toll not only on the profitability levels of companies, but on employment figures as well."

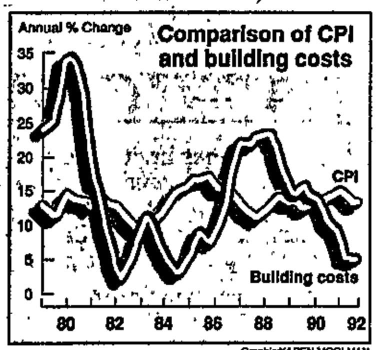
The depressed R15bn a year construction industry had been the force behind the fall in building prices, with Bifsa warning earlier this year that up to 70 000 jobs could be lost on a possible 10% to 15% decline in the sector's turnover.

The direct effect can be seen in measures taken by the big companies in the industry. LTA has instituted rationalisation measures in its building division, Murray & Roberts has downscaled its housing section and Pretoria Portland Cement's profit margins have been squeezed by falling demand for cement.

Cashbuild operations manager Ahmed Mohammed said the organisations' internal building cost inflation rate was as low as 3% earlier this year and that competition among merchants was fierce.

Barlow Rand subsidiary Federated Blaikie MD Richard Pratt said one of the most worrying aspects of the fall in building costs and the subsequent effect on the industry was the migration of skills from the building sector.

"Most companies have chopped their training programmes and thousands of skilled people have left the industry ... when the industry recovers there will be a shortage of skills," he said.



Graphic: KAREN MOOLMAN

...ase expected

Miners voice

M&R may face a long wait

S T Times

By CHERILYN IRETON

MURRAY & Roberts (M&R) has weathered the downturn, but an improvement will depend on how soon fixed investment spending picks up. (BUSS)

Its management, which this week reported a 9% rise in earnings a share, is not taking any bets on when that might be and warns that the year ahead could be as great a challenge as 1992 and 1993. (32)

The rise in bottom-line earnings disguises the tough trading conditions of the year to June, particularly in construction. The reason is a R36-million credit to income tax as a result of the reduction in the corporate tax rate. Without it, earnings would have fallen by 2%, says financial director Lionel Bird.

He is not worried about the group's reliance on fixed investment spending.

"Finance Minister Derek Keys's thrust is away from consumption and to investment for the country's future. Our confidence in the future is shown by our plan to spend R2-billion on capital projects in the next three years." 29/8/93

A total of R415-million was spent in the past year and R536-million will be spent in the current one as part of an upgrading of plant.

Having accepted that its fortunes will be cyclical, the executive team plans to smooth the flow of dividends. The dividend for 1993 is up 11% at 200c from earnings of 531c a share.

Time for school rebels to take new SA into future

■ As a new South Africa, with enormous growth and development potential, takes shape, one facet is frequently bemoaned: the paucity of entrepreneurs. How can this be changed? asks Cape entrepreneur ANDRE LOUBSER.

(30) ARGT 28/8/93

ENTREPRENEURS are individualists, often at variance with conventional society, endowed with three basic gifts — talent, vision and perseverance.

From 1652 until the early 1900s, the entrepreneurial spirit prevailed in South Africa. But, seemingly, as the country developed and became more sophisticated and softer, particularly during the post World War 2 era, great emphasis was placed, in both English and Afrikaans schools, on the need for academic achievement.

For decades free thinking entrepreneurial spirits have been frustrated by the fact that the formal educational system has never recognised nor engineered a slot for them.

The only road to success, it appeared, was a university degree followed by a 'secure' job in the corporte sector. The ethos of South Africa's private colleges — carbon copies of the English public school system — was clearly based on elitism, a system geared to turning out professionals who would be the cream of society.

It was a society which lost sight of the fact that it could not function without carpenters, electricians, mechanics, tool and pattern makers, and the like — people whose technical skills were a prerequisite for a young, developing country.

An incident in a Pretoria junior school during the 1950s proves the point. A teacher asked the class what they would like to be when they grew up. Up went the hands and "doctor" and "lawyer" predominated. One hand went up and a voice said "electrician", to which the teacher replied: "Now there's an example of a young man with no ambition!" That little boy with no ambition is today one of Pretoria's largest electrical contractors!

Many South Africans are creative and inventive but, sadly, give up the unequal struggle with pet projects and seek refuge in the formal or corporate sectors. There are hundreds, probably thousands, of innovative ideas and projects lying in drawers and filing cabinets throughout the country which could — given the right environment — be earning the country substantial sums in foreign exchange.

Another negative factor has been South Africa's pariah status around the world. This has had a dampening effect on would-be exporters who have been nervous to venture forth when, in fact, despite sanctions on certain products, substantial markets have always existed.

Financial institutions often masquerade as investors in new concepts and ideas but invariably, when an approach is made, give several reasons why they cannot invest in a new venture; perhaps they say they're looking for a 60 percent return on investment — a polite way of telling the entrepreneur, "don't call us, we'll call you".

With a greater emphasis on the need to develop and support the small business sector — in all population sectors — there could be hope for tomorrow's entrepreneurs.

Let's encourage them, before the talent is lost forever. Entrepreneurship is the way forward for the new South Africa.

Jet Stores powers ahead

AS PART of an aggressive expansion aimed at establishing it as a major retailing force, Jet is to open six "new generation" stores in the Western Cape. (20)

The first store to mark the return of Jet to the region will be opened at the Western Cape's newest regional shopping centre, Somerset West Mall, next month.

Marketing director, Sandy Barnes, said the store was one of six planned for the Western Cape within the next 18 months. CT 27/8/93

Negotiations for sites in downtown Cape Town and in some of the major suburban shopping centres were underway.

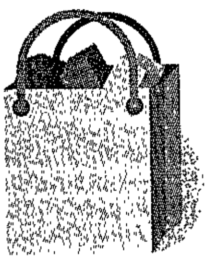
PEPKOR/PEP/SHOPRITE

FM 27/8/93

Kicking the inflation habit

Lower inflation and political turmoil are hurting profits

(30)



Pepkor management is struggling with a new economic truth that's now curbing profits — SA's dwindling inflation rate. Largely because costs are rising faster than product prices, the trading margin has been taking a battering.

Deteriorating prospects are indicated in the share prices: Pepkor's price has fallen by 23%, Pep Ltd's by 33% from the peaks reached in January/February. After being among market leaders, both are now lagging the JSE Industrial index (see graphic).

Changing economic conditions partly explain the weakness. But political instability, violence and turbulent industrial relations have also taken a toll on this large consumer-based group which derives much of its sales from the black market.

Until recently, risk management has been a concept more familiar to bankers or insurance managers than to retailers. Now retailing is fraught with risk. Financial results are being affected by in-store theft, staff intimidation, strikes, arson, hijacked delivery vehicles and payroll robbery. Add the diminution of consumers' disposable income, rising insecurity, a lifestyle threatened by political upheaval and low consumer confidence, and retailing has become a vastly more complex trade.

Pepkor vice-chairman Arnold Louw says top management is continuously reviewing three-year plans — though they believe these political and economic conditions are not endemic. Steps being taken to increase earnings faster than the economic growth rate fall within short-term — two to three years — plans and budgets. These are part of unchanged long-term objectives.

Pep is still planning to expand into the black townships. Growth of Pepreef, a spearhead operation which until recently was functioning well in the Transvaal, has been severely impeded. Pep shops in Boipatong and Katlehong, for example, trade when they can; there is no intention to close them, but "a lot of pain" is being felt there. These areas are among those earmarked for Pep Stores expansion.

Inevitably, the unrest is affecting financial results. It has permeated Pepkor through the violence in black urban townships, through boycotts and labour troubles. The five-week strike at Shoprite/Checkers (Shoprite) in May and June cost Shoprite and the unions dearly.

Trading at Shoprite was good until April, even slightly better than budget. Then came the strike. Pepkor chairman Christo Wiese says the real cause of the strike was different from the popular perception. It was not about wages; it arose out of an outdated agreement between the company and the union.

Wiese claims there were outdated clauses in the agreement which made it almost impossible for management to manage. It provided that notice could be given for its termination and for a new one to be negotiated. Shoprite MD Whitey Basson and his team talked — unsuccessfully — to the union about changing the agreement. The union was given notice that it was to lapse.

Two days before the end of the notice period, the union replied that it would not negotiate a new agreement. Shoprite lapsed the old one and the union called the strike.

While the strike affected Shoprite's performance, says Basson, the consumer boycott, which happened at the same time, was more costly. Pilferage was high; inexperienced casual labour was used. Five weeks passed before negotiations broke the strike.

Wiese contends the results were not all negative. Pepkor's union relationships have emerged stronger, particularly on the wages issue. A week after the strike, Shoprite satisfactorily concluded wage negotiations.

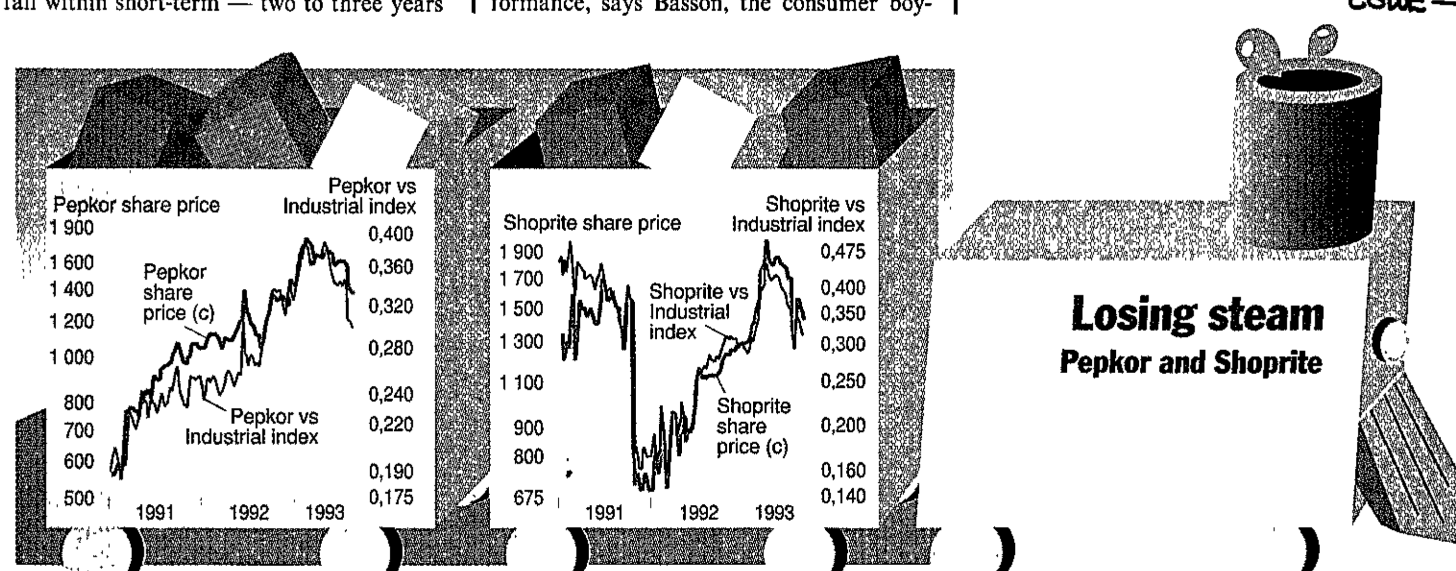
A further indication of a healthy Pepkor-union relationship is union acceptance of co-responsibility in Pep Stores for shrinkage. In the first such contract in SA, productivity-linked bonuses have also been linked to shrinkage and turnover. Union officials are working with Pep to address productivity and stock loss. Moreover, the union has apparently accepted wage differentiation between urban and rural staff.

Wiese reckons there is greater acceptance by the union that for a company like Pep, conditions are different when the inflation rate is falling. Moreover, he feels it is recognised that Pepkor rescued Checkers from near insolvency. "It (Checkers) was going down at such a pace, 20 000 people would have lost their jobs if we hadn't taken it over."

Shoprite is also battling against a relaunched and more price-aggressive OK. Until the recent management changes, says Basson, OK's prices were higher than Shoprite's and Pick 'n Pay's. Its margin was about 2% above the others; now, he says, OK has dropped margin by at least 2%. "They will end up worse off if they don't get the additional turnover," he says.

Basson, of course, wants to retain his own customers and prevent OK from gaining market share. Shoprite's own margin will suffer for as long as the price war lasts.

cont →



FM 27/8/93
(30)

Basson feels it won't be for too long. He contends that as Shoprite's margin has always been low, it will not be greatly affected.


Basson

Basson considers OK was lucky that its re-launch coincided with Shoprite's strike and boycott, as it could gain customers from Shoprite. He adds that statistics show OK is only increasing turnover by 5%-7%.

Basson hardly considers Pick 'n Pay to be competition, as it operates predominantly in the A/B income market — unlike Shoprite. The latter's attraction is its low margin; Pick 'n Pay retains its loyal following on gross margins, which are rising. Basson puts gross margin in the supermarket industry at 15%-18%, with Shoprite at the low end.

All this has taken its toll on Shoprite's profitability. Last year, it made R15m pretax for the first half; this year it may be less. "The first half does not look good. As I sit here, I'm worried," says Basson. He points out that growth in food sales has slowed, and volumes have contracted by 5%-8% since the beginning of the year.

Aside from the strike and boycott, he is pleased with Shoprite's internal progress. Efficiencies, productivity and stock turnover are improving, leases are "coming right" and overheads could be pared further.

While there is scope for guarded optimism, prospects for Pepkor's short-term earnings growth are not good. "We've always felt that when the economy deteriorates, we could capture business from consumers trading down. That is not helping us enough now," Louw says. "It's the first time in my career with Pep that I have seen Pep under sales pressure."

Especially on the clothing side, the rate of increase in the group's year-on-year buying prices has recently been considerably lower than the official PPI rate.

Louw puts this at about 6% for 1992 and 2%-3% for 1993. Sales prices are linked to production price increases. Normally, he says, lower prices would bring extra volume, but that isn't happening. Yet other costs such as labour, rent, electricity and transport continue to rise at the CPI rate of 10%-12%. This is placing extreme pressure on profitability of Pep Ltd (the listed company that includes the Pep Stores chain).


Haughton

Pep Ltd MD Tony Haughton says the chain's expenses have been tightly managed and there is little room for further trimming. Labour demands are not easily moderated by such arguments.

To retain and improve focus during the unrest, Haughton has sectionalised the group into stores affected by strikes and boycotts, those affected by unrest and violence, and those unaffected. This includes detailed analysis to meet customers' needs. Haughton says this programme will involve substantial costs, time and effort as well as additional information systems. If successful, he says, it could improve productivity 20%-40%.

Houghton says Pep Manufacturing, with 10 large production plants, is under pressure from several directions. For the first time, its results are likely to drag down group profit. Turnover is being hampered because the blanket market has collapsed, and, because of competition, prices can rarely be increased.

Pep Manufacturing has for many years worked at full capacity. Turnover growth has depended on price increases, and profitability on efficiencies. With prices up 2%, and with costs rising, the margin is squeezed. Earnings will be down this year.


Wiese

Running the 40-store operation in Scotland has emphasised the need for change in the Pep chain. Systems more sensitive to the customer needs have been installed, giving a more useful information flow. Though still losing money, the Scottish operation is showing signs of a profitable future, says Haughton. They are moving "staggering" volumes of basic items like T-shirts, underwear and socks.

"It could do much better than we ever hoped for," says Haughton. "We're realising how much of a learning process we're in." The greater volumes require a change in distribution cycles to much shorter ones. This calls for different distribution methods and purchasing cycles.

It's hoped the Scottish outlets will break even this year but, with the UK economy still weak, this is improbable. The chain is gaining market share, and this year turnover is expected to exceed R50m.

Until the UK operation has reached potential, the group is unlikely to venture elsewhere in the world. Wiese believes about 200 stores could be opened in the UK. However, Pepkor may look at manufacturing in another country. Much will depend on Gatt and the future duty structure in SA. Management has been looking for manufacturing opportunities in areas like Mozambique, Botswana and even in the East.

High-income retailer Stuttafords is trading better now than a year ago, says Carel Stassen, the Pepkor director whose responsibilities cover unlisted Stuttafords, Ackermans and listed companies Smart Centre and Cashbuild.

Stuttafords' takeover of the three Garlicks stores last year was important. As with Greatermans stores, all three Garlicks sites were converted to Stuttafords. There is now marketing and merchandise uniformity, and new house brands are being accepted by the stores' A/B income group customers. But Stassen believes growth prospects are limited because Stuttafords' market niche is not large enough to support much expansion.

For Smart Centre, like many clothing retailers which market most of their merchandise to blacks, trading is difficult. It has been forced to reduce margin and, though sales are greater than a year ago, bad debts have increased and profits are suffering.

The 130-store Ackermans chain has been successfully upgraded. Sales per customer are much higher than a year ago, but sales/m² are still below budget. Even after large capital spending, the chain is battling to make profits. But once the spending programme is over, says Pepkor financial director Cornus Moore, immediate rewards are expected.

Cashbuild, the DIY chain, went through an extremely difficult period last year. Stassen says the chain has increased both turnover and margin. Though budget is within reach if trade improves, it has not yet been attained.

Overall, Wiese says Pepkor's second six months will be better than the first, and better than the second half of last year. "We are stocking up in anticipation of a good second six months," he says. "It's a decision taken mostly on faith that things cannot get worse. We have to have the goods in store and hope the customer has the money to spend."

In the best position

Wiese remains optimistic. He believes disruptions may last for another year or so, but it has not caused Pepkor to deviate from long-term plans.

Wiese feels similar perceptions are being expressed by JSE investors who, he says, are looking over the hump.

"We take the brunt of the turmoil because we are in the areas worst affected. But we are also in the best position to take advantage when things improve. The direction of our businesses remains right."

However, the price weakness shows that the JSE is less sanguine about group prospects. Management is evidently struggling to produce 1994 group earnings as good as last year's.

With liquidity high — Pepkor still holds more than R300m cash — the annual dividend should be maintained. But, even after the price falls, the share is still not cheap at the 2% dividend yield and 18,3 earnings multiple.

Gerald Hirshon

News in brief

Sowetan

Consumer boycott on ER

RESIDENTS of Vosloorus on the East Rand have declared a consumer boycott of white businesses in nearby Boksburg. 27/8/93

The Vosloorus Campaign Committee said the campaign, which started on Monday, would continue until certain demands were met. These included the release of people detained under "unrest" regulations", the withdrawal of the security forces from the township, the deployment of an accountable local police force and the immediate installation of an elected internal local government.

Azapo discusses BC Week

THE Central Witwatersrand region of the Azanian People's Organisation is to meet at the organisation's head office in Johannesburg tomorrow to plan the Black Consciousness Week which starts on September 6. Sowetan 27/8/93

Azapo deputy national organiser Mr Monwabisi Duna has invited the Soweto, Lenasia, Eldorado Park, Alexandra and Dobsonville branches to attend.

Meanwhile, the Jabulani and Moletsane branches of Azapo will on Sunday hold a memorial service at Entokozweni Community Centre in Soweto for former South African Students' Organisation permanent secretary Mr Mapetla Mohapi, former Azapo publicity secretary Mr Muntu Myeza and 1976 student leader Mr Tsietsi Mashinini.

Cape builder signs R2,8-m school project

Business Staff (32) ARG 26/8/93

BASIL Read Buildings Cape has been awarded a R2,8 million contract for the construction of a primary school in Khayelitsha.

The contract, which was awarded by the Department of Education and Training, consists of six single storey classroom blocks, one single storey administration block, and four single storey ablution blocks plus parking areas.

The contract is adjacent to the R9,9 million Good Hope College of Education that is presently under construction by Basil Read Buildings.

Basil Read Buildings director Keith Miller said: "At present we are enjoying a good relationship with the local community and utilising local labour where required, an essential aspect when working in township areas."

Construction will start at the beginning of September 1993 and is expected to be completed 9 months thereafter.

Meanwhile, despite heavy rains in the Cape during July, Group Five Building-R H Morris has made good progress on its R12,5 million contract for the construction of the new Western Province Cricket Club Members' Pavilion at Newlands.

MD Frank Wright says that while much time has been lost as a result of an exceptionally wet winter thus far, as well as numerous stayaways, all efforts are being made to minimise the inevitable effect on the original completion date.

The new pavilion is being built in the style of the original building, and will complement the character of this great cricket venue.

The salient feature of the pavilion is that it will be the new WPCC clubhouse, housing various amenities and facilities used by its members on a year-round basis. Only on match days will its function as an additional grandstand take precedence.

The pavilion consists of a lower ground level parking area and four upper floors, with seating for a total of 2 500 spectators. The first floor, or club level, will include a reception area and offices, and will have seating for 1 200 spectators.

The contract is a complicated one, requiring the highest standard of workmanship throughout — and the programme is extremely tight, requiring completion in time for international matches scheduled for Newlands in early 1994.

The pavilion was designed by Tony Hockly of KMH Architects. The main problem, he says, was to create a club atmosphere for the members, incorporating all the facilities they look for, while at the same time catering adequately for the needs of 2 500 spectators who will use it in on big match days.

—COMPANIES—

M&R engineering powers turnabout

B/Day 26/8/93

EDWARD WEST

MURRAY & ROBERTS lifted earnings by nearly 10% in the year to end-June, against a background of 13 successive quarters of declining real fixed investment.

Turnover of the group's construction, engineering, suppliers and services, materials and properties divisions climbed 16% to R6,78bn (R5,84bn). Operating profit was up to R791m (R720m).

Earnings a share climbed 9% to 531c (485c) and dividends for the year climbed to 200c (180c) after a final dividend of 144c (127c) was declared.

CE Dave Brink mainly attributed increased turnover to a higher than normal increase in turnover in the engineering division.

Pre-tax income was lower at R452m (R466m) as a result of higher interest and depreciation, but a halved tax bill of R91m (R185m) — due to reduced corporate tax and release of a portion of deferred tax — boosted taxed income 28% to R361m (R281m).

A 15% increase in the average number of shares in issue to 62,8m (54,7m) diluted earnings a share after attributable profit climbed by just more than a quarter to R333m (R265m).

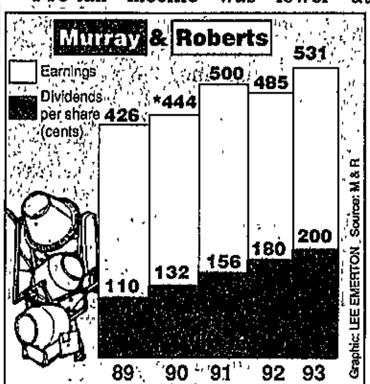
(32)

The group realigned its focus to the fixed investment sector over the past two years with the acquisition of Blue Circle, Darling & Hodgson, Fedstone, Unitrans and Standard Engineering.

Brink said the fixed investment sector was hardest hit by the recession. Gross domestic fixed investment (GDFI) had fallen to 15,9% of GDP in 1992 from 27,9% in 1982 to a all time low of 15% of GDP in 1993. In the financial year to end-June total real GDP was only equal to 60% of 1982's R33bn.

Employment fell by 3 979 to 47 608 compared with June 1992.

The engineering division's contribution to earnings before interest in the year climbed 37% to R204m, while construction and property's contribution to earnings rose 8% to R43m and R46m respectively.



* Restated for conversion of debentures

Strong balance sheet maintained

M&R manages to hold the line

Star 20/8/93

M&R has surpassed market expectations with a nine percent increase in earnings per share in spite of low fixed investment.

■ BY STEPHEN CRANSTON

A further deterioration in gross domestic fixed investment (GDFI) led to a three percent decline in pre-tax income for Murray & Roberts to R452 million in the year to June. (32)

But the reduction in the company tax rate to 40 percent and a R36 million credit from the reduction of the deferred tax provision enabled it to report a nine percent increase in earnings per share to 531c.

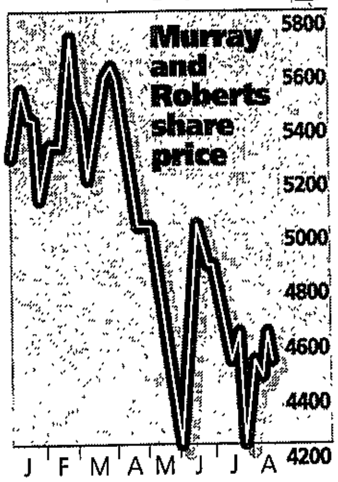
This is a great improvement on the first-half performance — before the tax rate changes were announced — in which EPS fell 13 percent to 177c.

The final dividend is up 13 percent to 144c to make a total of 200 — 11 percent up on last year.

Commercial director Jeremy Ractliffe says the fall in pre-tax income is not surprising as GDFI has fallen to 15 percent of gross domestic product (GDP), and in real terms is at 60 percent of 1982 levels.

"GDFI in the Asian tigers runs at 33 percent of GDP, and if the normative economic model is introduced and GDFI is increased to 23 percent, then our profitability would improve dramatically," he says.

Ractliffe says the improvement in the quality of earnings from recent acquisitions such as cement producer Blue Circle, Firestone, Unitrans and Standard Engineering is shown by the rise in operating cash flow from R375 million to R420 million.



There was a significant change in the divisional contributions to operating profit. The original core business, construction, saw its share fall from 17 percent to eight percent.

It was overtaken by property, which increased share from five percent to eight percent, but made R3 million more profit than construction.

The largest contributor was engineering, with 37 percent of the total — up from 30 percent in the previous year.

This reflects the inclusion of Standard Engineering and Firestone for the full year.

Disappointing

Materials, predominantly Blue Circle, increased contribution from 20 percent to 25 percent, despite a disappointing performance from Ready Mixed Materials.

Suppliers and Services saw its contribution fall from 28 percent to 22 percent.

The group continued to drive for increased productivity, with the staff complement reduced by almost 4 000 to R47 600.

Ractliffe says the strong balance sheet has been maintained.

Although borrowings were up 40 percent to R923 million, reflecting capital expenditure of R475 million, gearing increased from a low 15 percent to a still healthy 26 percent.

Chinese chain store set to open in SA

(30)

ARG 26/8/93

Business Staff

JOHANNESBURG. — For the first time in South Africa, shoppers have the chance to buy cheap, quality merchandise direct from China when the first Chinese chain store opens in Johannesburg at the end of the month.

Called the China Merchandise Centre (CMC) and situated at the Flora Centre, Roodepoort, the shop will open simultaneously with the China Trade Exhibition at the same venue.

On sale will be traditional hand-made carpets, Sino-Persian rugs, art works, porcelain, household goods, clothing and other products.

An Chun Hui, general manager of the Great Wall Group's Herbei department, says the CMC will give dealers the chance to meet local customers and to determine their needs.

"The intention is to open one CMC every five months in the greater Johannesburg area before moving on to other areas of the country," says An.

The Great Wall Group, based in Bedfordview, was set up by China's central government to promote bilateral trade and acts as Beijing's unofficial trade office in South Africa.

An says China chose South Africa as an ideal location for introducing Chinese products to the rest of Africa after a tour of eight countries on the continent.

China, he says, intends moving some of its factories to South Africa once political and economic stability has been restored.

SBDC is adapting to a changing SA

WM 20-26/8/93 (30)

The SBDC has come in for criticism recently for its methods. Here, SBDC executive **Dawie Crous** explains what the corporation is really about

THE Small Business Development Corporation's unique structure and its track record has attracted interest from all corners of the globe, in particular from Africa.

●Over the past 12 years the SBDC paid out loans in excess of R1 600-million. The majority of the entrepreneurs who benefited are black South Africans.

●The SBDC mentorship programme utilises 286 retired business consultants who are not only available to SBDC clients, but to the whole small and medium enterprise (SME) sector. During its first year of operation 954 clients were assisted by the programme. The number of people assisted grew to 43 000 at a cost of nearly R2-million during 1991/92. This figure has more than doubled during the current year with 93 789 people having been assisted at a cost of R3,2-million.

●The SBDC's clients have created and maintained more than 340 000 jobs at a historical cost of R5 000 per job opportunity. Of these jobs, it is estimated that 80 percent were occupied by black persons.

●The SBDC is the largest developer of business infrastructure in neglected areas. To date the SBDC has made available over 900 000 square metres of business property under roof at a cost of R280-million.

These industrial hives house 5 000 entrepreneurs who have in turn employed approximately 15 000 people. Today the SBDC is the largest developer of business infrastructure in urban black areas.

●More than 1,6-million people have been assisted with information and advice since 1984 and SBDC currently handles approximately 1 300 inquiries each working day through 60 branches situated throughout South Africa.

●The SME Training Institute was initiated to give new impetus to the SBDC's business training programmes. More than 6 000 people have already attended our formal training courses.

●The SBDC played a leading role in the removal of legislative barriers that unnecessarily restricted SME activity throughout South Africa.

●It has initiated various projects to stimulate an entrepreneurial culture in South Africa. The BE-IN television campaign and the Small Business Week are examples of these initiatives. This year Small Business Week will host more than 420 events nationwide, involving approximately 100 business organisations.

This performance is the result of the SBDC's philosophy of sustainable development. The effect is that the SBDC, with a total cash inflow of R884-million, from both the private and public sectors, granted loans to twice that amount as well as providing other development services to the small business community. In addition, the SBDC has paid R150-million in taxes and has built up an asset base of close to R1-billion.

The SBDC practises sustainable development through the principles of economic merit. Each application is assessed according to its viability, practicality and profit potential coupled with reasonable community expectations and needs. These funds are recovered and readvanced to other deserving applicants.

By carefully assessing risk, the SBDC is able to maintain its capital base and fulfil the mission of harnessing the power of entrepreneurship in the SME sector.

This is practised in four key areas, namely the provision of finance to SMEs, affordable business premises, advice and training, and the promotion of entrepreneurship in all South African communities.

The SBDC is a non-racial, apolitical organisation and bases financing decisions on viability and development potential.

Its structure of equal shareholding between the private sector and state with private sector control is unique and is probably one of the most important attributes to the SBDC's success.

The strength of this unique formula is that a state function is managed by the private sector.

This ensures proper allocation and management of scarce resources, accountability and transparency to the shareholders and public at large.

It is this very structure that prevents nepotism and corruption that is so characteristic of state-run institutions elsewhere in the world.

As a dynamic organisation, largely due to the private sector input, the SBDC has consistently adapted to a changing environment. The SBDC is not a rigid organisation and actively invites both local and international input.

In line with other public and private sector corporations, the SBDC has initiated a major planning and restructuring initiative. It is focused on the full spectrum of needs of the South African small enterprise community. It will look at how the SBDC's limited resources can best meet those needs not adequately addressed by the more conventional institutions.

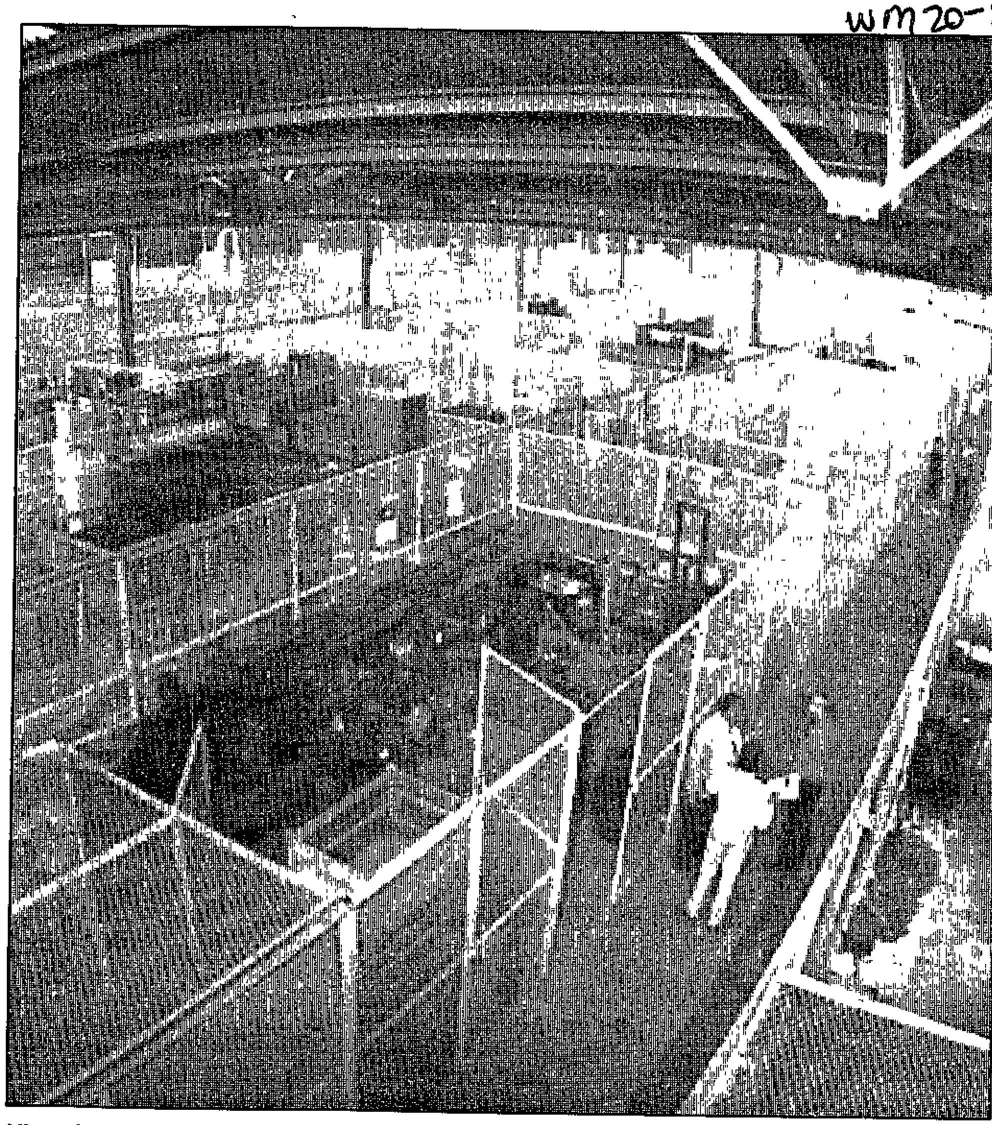
Managing director Ben Vosloo has indicated that the rapid and broad-based expansion of the SBDC's well-established micro-enterprise support programme, is one of the corner stones in the SBDC's restructuring process.

The SBDC recently announced that a restructuring committee was being established.

The committee is to consider practical steps towards the incorporation of a broader spectrum of business leaders in SBDC's planning and policy-making processes.

In conclusion, the SBDC is optimistic about the future of the small and medium-sized business sector in South Africa and looks forward to hearing from those who wish to play a positive and constructive role in this sector.

Dawie Crous is assistant general manager: development promotion, at the SBDC



Hive of activity ... The SBDC runs many industrial properties which house entrepreneurs

A meeting to patch up the differences

Weekly Mail Reporter

THE Small Business Development Corporation (SBDC) and the National African Federated Chambers of Commerce (Nafcoc) this week met to thrash out their differences.

The two organisations have been involved in a public slanging match since Nafcoc president Archie Nkonyeni called for an overhaul of the body two weeks ago.

At Wednesday's meeting they discussed the black involvement in the SBDC's equity; black representation on the regional boards; an Africanisation of the top position of the SBDC and the body's effectiveness in the development of black business.

Also discussed was the impact of Nafcoc's 3-4-5-6 demands on the SBDC. The demands call for listed companies to have 30 percent of their equity in the hands of blacks, 40 percent of board members to be black, 50 percent of outside purchases to be from black companies and 60 percent of management personnel to be black.

Cape business chambers to merge

(30)

CT 25/8/93

By ARI JACOBSON

THE Cape Chamber of Commerce, Cape Chamber of Industries (CCI), the Afrikaanse Handelsinstituut and representatives of black businesses will hopefully be united into one body by 1994, the deputy director of the CCI, Colin Boyes, said yesterday.

Speaking at an Institute of Credit Management luncheon he pointed out that "a united chamber on a regional basis makes sense" and added that an invitation had been extended to all organisations to join forces.

"We want to guard against the perception that this new formation is exclusively for white business interests."

Boyes said that both commerce and industry would be better served by having one large and focused chamber "under one umbrella".

He said that the target date for the merger was June 1994.

"We feel that a regional/federal political structure will emerge with a devolution of power possibly extending to certain taxes and fiscal intiatives on a local level."

Commenting on the recent round of the General Agreement of Tariffs and Trade (GATT) talks in Uruguay, Boyes pointed out that the CCI supported the government's initiative to lower import tariffs to restructure the country's industrial base.

But it also supported its assistance "with supply side measures in local industry to improve competitiveness".

"Specifically we welcome the sentiments that unfair trade practices will be combated by effective anti-dumping as well as the introduction of effective provisions to safeguard and monitor dislocating surges in imports."

Boyes warned that the country's export competitiveness would be impeded unless issues such as the high local corporate taxes, the 5% import surcharge on capital goods and low productivity levels brought on by poor education, were tackled.

Star 25/8/93

Police arrest 60 000 in July

More than 60 000 people, including 27 000 with previous convictions, were arrested last month, police said yesterday.

The Child Protection Unit arrested 421 people — 164 for rape, 75 for indecent assault and 66 for assault.

And the Diamond and Gold Unit arrested 228 people last month.

(34)

Diamonds, gold and other precious metals valued at R2 753 223 were also seized.

■ Three robbers held up jewellery store owner E D Gouws, in Jorissen Street, Braamfontein, on Monday before fleeing with cash and jewellery valued at R150 000, police said.

Skills workshops for small business

CT 25/8/93

(30)

By MAGGIE ROWLEY
Deputy Business Editor

A SERIES of workshops aimed at developing business skills for small, established entrepreneurs and managers is being launched in the Western Cape.

The workshops are to be run by Business Skills for Southern Africa (BSSA), a non-profitmaking foundation formed by Coopers & Lyrand in partnership with the National Industrial Chamber.

BSSA acquired the rights to a tried and tested British programme which has been run successfully in Britain since the early 1980s and has adapted it to suit South African conditions.

The six core modules cover practical marketing, personal selling skills, customer care, debt recovery and cash control, increasing profit through correct price and effective management.

To date about 600 entrepeneurs and managers have been trained on 20 similar courses in Natal and the Transvaal by BSSA which is now launching the first course in the Western Cape region.

Coopers Lybrand partner Mario Rosingana said the courses were designed for people with up and going businesses who had felt "the pain of being turned down for loan finance or experienced bad debt, problems of cash flows, difficulting in marketing products and so forth".

Star 24/8/93

Springs boycott ends

An agreement has been reached between the Springs Town Council, the Mass Democratic Movement (MDM) — comprising the KwaThema Civic Organisation, the ANC, the SACP, Cosatu, Cosas and the Unemployed Workers' Congress — and the local Chamber of Commerce and Industry to end the consumer boycott in the town.

A council spokesman said the parties had agreed to establish a local government forum. The council agreed to re-engage workers sacked at the beginning of June.

The council said it would re-employ only 350 workers and would thus need to embark on a retrenchment exercise. The council and the MDM agreed that if there were a need for retrenchment, the terms would be negotiated with the union involved. — East Rand Bureau

30

Morkels battles to survive

B/Day 23/8/93

LINDA ENSOR

CAPE TOWN — Furniture and sports goods retailer Morkels suffered an after-tax loss in the quarter to end-June and was considering scaling down operations as part of a contingency plan, MD Carl Jansen said at the weekend.

(30)

He cautioned that the group might not be able to produce a positive result in the year to end-March and might have to implement contingency plans to ensure its survival. It was becoming increasingly difficult to maintain full employment.

He said escalating crime and increasing unemployment could erode consumer confidence. Also, the runup to the elections could generate greater instability and have an adverse impact on the group's peak Christmas trading period.

Quarterly sales rose 8,5% to R70,2m, marking an arrest in Morkels' declining market share. But, Jansen noted, these gains did not filter down to the bottom line because of the pressure on margins and costs.

"Earnings are depressed by reductions in margins to preserve market share but the 29% decrease in operating profit for the quarter has been more than offset by a 35% reduction in the interest bill, the result of both lower interest rates and better working capital management."

Operating profit fell to R2,6m (R3,7m) and an after-tax loss of R230 000 (loss of R462 000) was suffered. Interest-bearing debt to shareholders' funds had fallen year on year to 119% (155%) over the quarter.

Jobs on the line as Morkels dips into loss

CT 23/8/93 (30)

By ARI JACOBSON

MORKELS, the furniture and retail group, suffered an after tax loss of R230 000 for the quarter to June brought on by "the punishing costs of social upheaval" and warned that this could mean further cuts to employment levels, according to MD Carl Jansen.

The drop occurred even though sales were up 8,8% to R70,2m (R64,6m) and costs had been brought under control.

The group comprises Morkels furniture, Totalsports and the Ajay sport wholesaler.

Operating profits dropped 29% to R2,6m (R3,7m) which had been offset somewhat by lowering the interest bill by R1,6m to R3m.

Morkels is one of the few companies to report quarterly and Jansen mentions that these results "served as a barometer of how good management effort was being laid to waste by horrific levels of violence".

"It is essential that there is a return to political stability and that equilibrium is restored to markets in which the group functions."

Jansen pointed out that all areas where the group focused was under scrutiny to "identify growth areas but this still may not be enough to deliver a positive result".

He said that because of this situation "contingency plans" may be implemented which could include the scaling down of certain operations "to ensure survival".

Jansen added that there was a limit to what can be achieved through cost controls without "damaging the Morkels infrastructure" and he said it was becoming increasingly difficult "to maintain full employment".

He said that the consumer "did not have the money to spend" or "did not have the confidence to spend what he had on durables or semi-durable goods".

"Moreover consumers were reluctant to commit themselves to new debt.".

Jansen warned that the external factors that had devastated the consumer market were in the hands of political players: "It is up to them to stop SA slipping."

Aid plan for jobs, houses

SI Times (Buss) 22/8/93

By TERRY BETTY

SEVERAL foreign aid agencies are considering providing between R50-million and R100-million for training 1 000 black builders and building 4 000 houses in South Africa.

Building Industries Federation of SA (Bifsa) executive director Ian Robinson — a member of the National Housing Forum (NHF) — says much work has to be done in the next six weeks before the Bifsa-proposed project receives the go-ahead. (32)

"Bifsa has held discussions with 15 aid agencies and indications are strong that the money will be made available."

If the project gets the go-ahead, about R6-million will be used to train 1 000 people who will build 4 000 houses.

The rest of the money will be used as collateral for the private sector to provide bond finance for the houses.

"The commercial banks have shown an interest. However, as far as possible we would like to channel the loans through community banks because they are structured to lend to the lower-income black community."

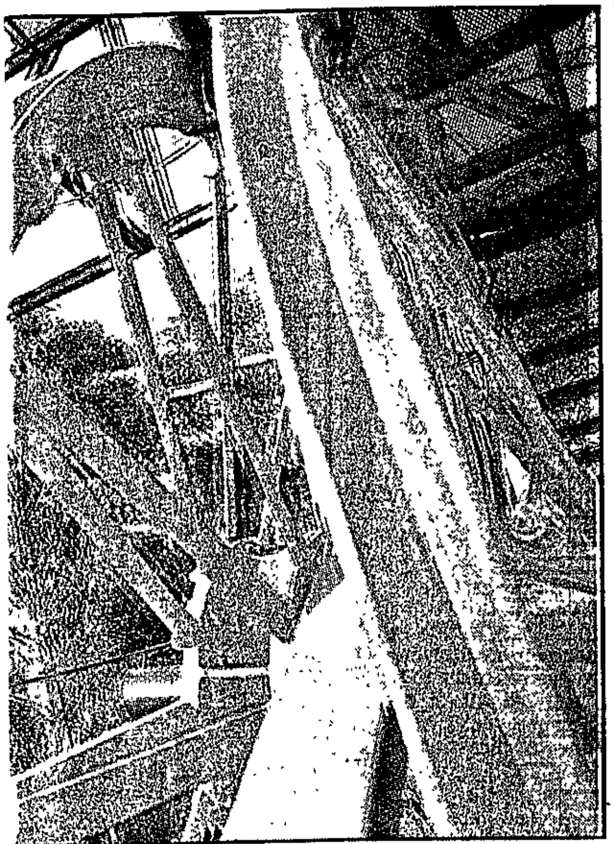
Mr Robinson will not say where the houses will be built: "We would hate to raise hopes until the matter has been made final."

A condition of the aid money is that at least 50 businesses capable of operating in their own right must be set up in the housing area.

"So in addition to providing building skills, certain people will be selected for further training in how to run a business, such as building supplier or contractor.

"Basically, the aid agencies are happy to give the money if it means people will be trained and then employed."

ST Times (Buss) 8/8/93



...ence for Gold Reef City Picture: CHRISTINE NESBITT

SA loophole lets in trademark pirates

By ZILLA EFRAT

AMERICAN firms have been shocked to discover that their logos and trademarks are registered in South Africa.

The registrations have been made by trademark pirates who plan to hold American companies to ransom — legally because of what some lawyers call SA's archaic laws. (30)

Attorney Michael Judin, a partner at Goldman, Judin & Werner, says the pirates hope to prevent US companies from operating here unless they pay a fee or enter a licensing agreement.

The loophole has also been used by Edgars and Truworths, who have beaten off court challenges but are not among those who wish to hold Americans to ransom.

Edgars successfully defended itself in an action brought by US women's underwear maker Victoria's Secret. It applied to register Victoria's Secret's name in SA first.

Spoor & Fisher partner Owen Dean says the case will now go to the Appeal Court in Bloemfontein.

Other disputes involving Edgars will also come before the Registrar of Trademarks.

A case brought by US casual wear maker Outback Red against Truworths last year was settled. The US manufacturer surrendered the SA market in return for other benefits.

Among Americans who found their trademarks and logos registered in SA by others were eight Major League baseball teams and World of Curls, which makes hair-care products for blacks.

Other US firms involved wish to remain anonymous, says Reggie Cook, president and chief executive officer of California-based Cook International which facilitates investment in SA.

The attempted registration by a Durban manufacturer of DKNY jeans is being contested by US fashion designer Donna Karan New York.

Mr Cook believes many more US companies face similar problems. He expects their numbers to grow rapidly after sanctions end.

He is aiding "angry" companies, with the help of the US Commerce Department, to urge the SA Government to change the law.

A class action law suit against the SA government, which demands an immediate release for US companies, is also being considered. Mr Cook says class actions may be taken because individuals are protected by SA law.

Mr Judin says SA trademark law is based on an outdated "territorial" concept.

ST Times (Buss) 8/8/93

Gold's stumble dims prospects for a rate cut

Business Times Reporters

HOPES for an imminent Bank Rate cut stalled this week as gold dropped $22 and South Africa's gold and foreign exchange reserves weakened further.

But Reserve Bank governor Chris Stals cautioned against reading too much into the R157-million fall in reserves to R7,36-billion in July.

He said figures were affected by large repayments of public sector loans in the first week of the month. They had since stabilised and were now "encouraging".

He said the volatile gold price made any forecasts of what would happen in August difficult.

Following Thursday's dramatic fall, the gold price was fixed in London at $379,40 on Friday and was trading lower as New York opened.

Gold shares lost ground in hectic trade with the All Gold Index closing the week at 1 814 — 14% lower.

Gold's unpleasant drop was a sharp reminder that the recent $70 bull run is not 1980 all over again.

The near $30 drop to below $380/oz was no surprise to analysts canvassed a week ago when it breached $400/oz. The warning was plain: all the buyers belong to the same club, drive the same computer model, and receive and react to the same signals at the same time.

Active in the gold market in recent months are American managed-fund investors. They do not regard gold as a store of value or a safe haven in times of currency turmoil, but rather as a means to make a quick buck.

When their computerised models flashed a sell signal on Thursday, they all wanted to get out of gold at the same time. But there were no buyers, and market makers were obliged to mark down the price again and again. "They all wanted to go home in the same taxi, but they couldn't all fit," says one dealer.

Buyers of physical gold, such as jewellers and speculators, traditionally stand aside in a falling market knowing they need only wait to buy it more cheaply.

Reports from Europe, where the price dropped $6 to $396 on Thursday morning ahead of New York's plunge, were that George Soros was a seller of 50 000 oz-lots of gold, always asking a little more than the last trade. One of the high-profile pair behind gold's resurgence from below $330/oz, Mr Soros is thought to have sold 200 000 oz last week.

Gold's fall might be seen as a blessing in disguise for SA's mining houses struggling to negotiate wage settlements with miners.

More slaughtered in SA than all the US troops killed in Vietnam

S T Times 22/8/93

By BILL KRIGE

THOUSANDS more South Africans have died violently since 1990 than were sacrificed by the United States in nearly 10 years of war in Vietnam's killing fields.

In south-east Asia 46 558 GIs died in combat for a cause so ambiguous that it provoked passionate opposition at home on a scale not seen since the Civil War more than a century before.

But in less than three-and-a-half years in South Africa 52 800 people have died violently, 8 967 of them the victims of "political unrest".

This is nearly as many as died in the three years of the second Anglo-Boer War and twice the number of South African servicemen killed in the First and Second World Wars combined.

Commonly, they were shot, but stones have been dropped to crush skulls, and assegais and knobkerries wielded in tribal vendettas.

Witwatersrand townships and the villages of Natal bristle with guns as a trade in smuggled AK-47s flourishes.

According to police statistics, guns have contributed hugely to the 43 833 "non-political" murders since 1990, but people have also been knifed in shebeens, bludgeoned to death or flung off trains.

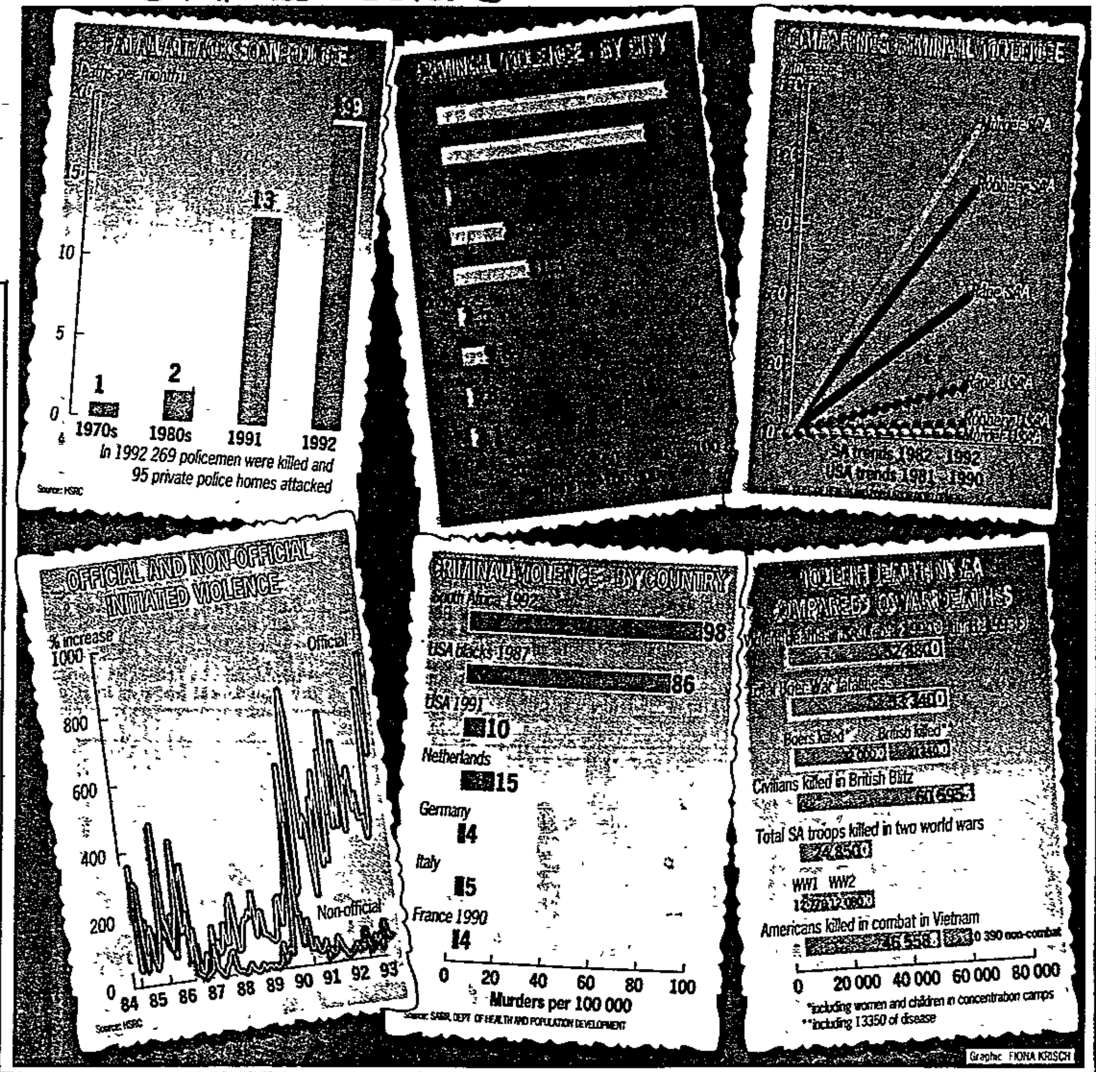
Research by the Human Sciences Research Council shows that since the lifting of the state of emergency at the end of 1989 violence has soared.

The number of deaths and injuries from unrest-related incidents has climbed dramatically since the unbanning of organisations such as the ANC.

The effect of criminal violence on the statistical record is stark.

In the four years to the end of 1992 Johannesburg averaged 97 murders for every 100 000 people. Rio de Janeiro, once notorious as the world's murder capital, averages 86 for every 100 000 people. (34)

The Johannesburg figures don't incorporate statistics from Soweto.



Stars to shine for ANC and AIDS

By CHARLENE SMITH

THREE international celebrities due to visit South Africa in the next three months will be promoting chosen causes, including politics.

Megastar Michael Jackson this week paid R7 740 for a work permit from the Department of Home Affairs, allowing him to give two concerts in Johannesburg on September 30 and October 1.

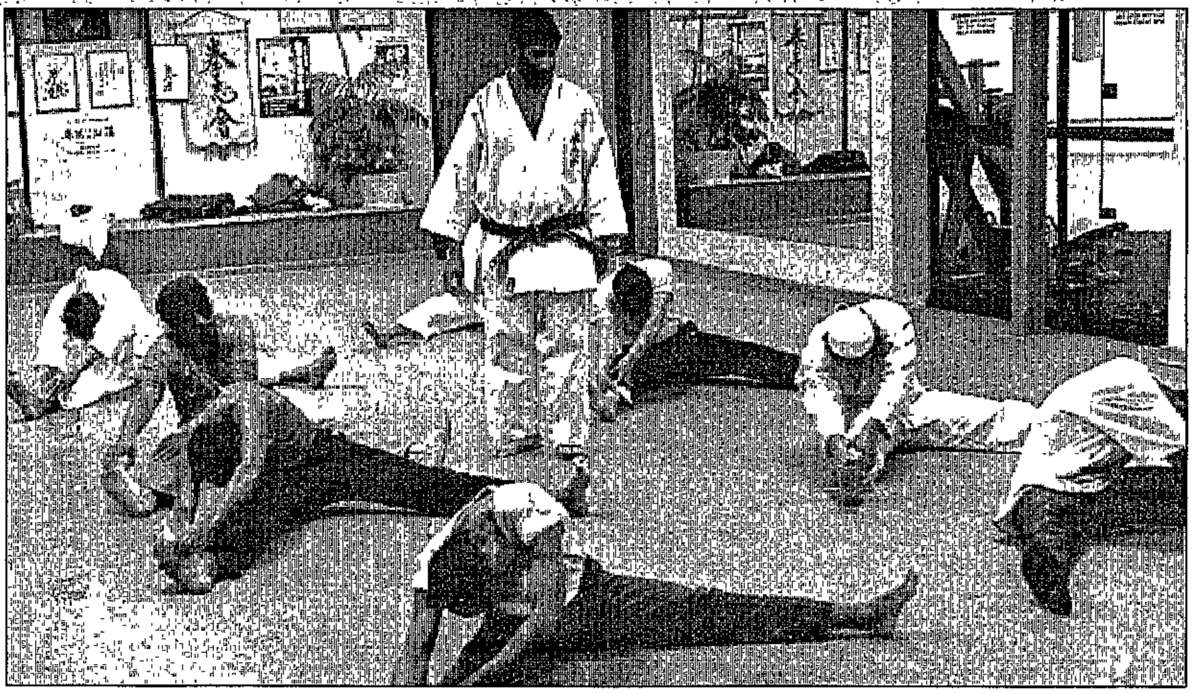
His visit — part of his international *Dangerous* tour — follows an undertaking given to ANC president Nelson Mandela last month when they met in Los Angeles. Jackson reportedly promised Mr Mandela that he would donate part of the proceeds from the concerts to the ANC's election coffers, but this has not been confirmed by the ANC.

Jackson, Diahann and Elton do it for a cause

On October 3, American cabaret, screen and TV star Diahann Carroll will give two performances in Johannesburg, one in aid of Child Welfare.

Miss Carroll will also star in a gala show to open Johannesburg's new five-star hotel, the Sandton Sun Towers.

On December 1 — World



No scimitars or white chargers but Muslims are preparing for a battle ... against crime

PHOTOGRAPH: PETER MCKENZIE

Holy war in the suburbs

WM 20-26/8/93 (34)

Jihad movements are gaining popularity in South Africa, reports Ferial Haffajee. But the enemy is not the infidel — it is neighbourhood crime

IN Western minds, the word jihad usually evokes images of the hordes of the godly, in flowing robes, atop snow-white chargers and brandishing scimitars, sweeping down on the infidels. In Mayfair, Johannesburg, it has come to mean something rather different.

"We don't ride on horseback," says Soraya Hassim, who has arranged the Women's Jihad Movement.

For Johannesburg Muslims, the jihad concept has become a means of organising their community with self-defence classes, firearm lessons and neighbourhood-watch networks.

It is a response not to the threat of a foreign conqueror — their jihad classes seem to have little political content — but to a crime wave which is reaping a grim harvest of murder, rape and robbery. A minority in the jihad programmes espouse the protection of Islam as their cause.

"Our biggest response has been from the Muslim community because of the use of the word jihad," says one of the organisers of the movement. "We are not going to be thugs, but are out to find the good in society and to challenge the bad."

For him, a modern interpretation of jihad stresses physical and spiritual fitness, as well as charity and good works. "We have become sitting targets because there are a lack of norms and values in our society."

The self-defence and firearm instruction is accompanied by theory classes on jihad and are popular with men and women, although all classes are held separately in accordance with sharia (Islamic law).

Hassim says jihad represents for women the ability to "fight for yourself and protect your family".

She says women from as far afield as Azaadville on the West Rand and Lenasia in the south of Johannesburg attend the three classes she organises every week. Already the classes, which began only a few weeks ago, have about 80 members.

Although the classes emphasise Islam, Hassim says that everybody is welcomed and that there has been strong support from Hindu women.

But the self-defence programme emphasises Islamic tenets. "No drugs or alcohol allowed in the building," states the pamphlet, and women are requested not to wear ski pants, shorts or tank tops.

The women arrive in saris, scarves and ijaar (pants worn under a skirt) and then change into their loose-fitting gym clothes, though many keep their scarves on. When they are physically fit, they progress to firearm instruction.

The men, who attend classes in the centre of Johannesburg, tend to have a more gung-ho attitude than the women. Many of them are staunch Muslims who wear their kufias (skull caps) while training.

"Jihad is not just about going to war. (But) there is a worldwide threat to Islam. Look at Iran and Sudan. South Africa could be next," said one.

These "soldiers" have a long way to go: many still show pot bellies.

Similar jihad movements are starting around the country, says Na'eem Jeenah, the editor of the *Al-Qalam*. "The crime rate has gone up, and the organisers are using jihad as an attraction."

FM 20/8/93 (30)

CLICKS FM 20/8/93

Encouraging record

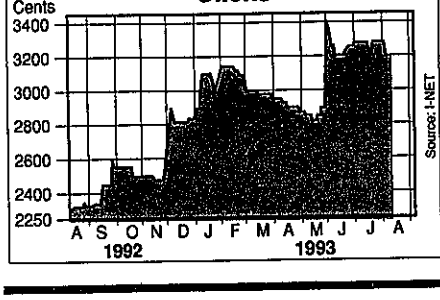
Activities: *Retails toiletries, cosmetics, gifts and music.* (30)
Control: *Score Clicks 50%.*
Chairman: *G M Utian; CE: T C Honneysett.*
Capital structure: *22,6m ords. Market capitalisation: R723m.*
Share market: *Price: 3 200c. Yields: 1,4% on dividend; 4,3% on earnings; p:e ratio, 23,2; cover, 3,0. 12-month high, 3 400c; low, 2 300c. Trading volume last quarter, 178 000 shares.*

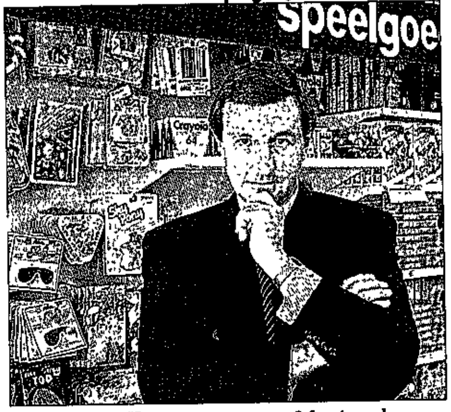
Year to April 30	'90	'91	*'92	'93
ST debt (Rm)	—	—	—	3,3
LT debt (Rm)	—	—	—	1,2
Debt:equity ratio	—	—	—	0,03
Shareholders' interest	0,41	0,41	0,49	0,46
Int & leasing cover	130	63	11,2	77
Return on cap (%)	23,4	21,2	17,0†	16,8
Turnover (Rm)	426	552	837	950
Pre-int profit (Rm)	32,7	41,4	52,9	55,1
Pre-int margin (%)	7,7	7,5	6,3	5,8
Earnings (c)	81,8	102,3	108,1†	137,9
Dividends (c)	34	43	41†	46
Tangible NAV (c)	283	330	579	660

* 14-months trading. † Annualised.

Clicks is celebrating its 25th anniversary this year. Sparkling results reported for financial 1993 should help persuade shareholders that its imposing earnings record can be maintained.

The Clicks chain, catering for the middle





Clicks's Honneysett ... *Musica has turned around*

to upper income groups, now boasts 140 stores throughout the country, each offering about 10 000 items in the health, home and beauty categories.

Its other mass retailer, Diskom, acquired in 1984, has grown from 11 stores in the western Cape to a national spread of 90. It contributes about a fifth of group turnover and profit. Clicks and Diskom share a common merchandise base, but Diskom focuses on a distinct target market — middle to lower income groups — which offers large potential for expansion as disposable incomes grow along with rising aspirations of the emerging consumer.

Musica, the specialist retail music chain with 63 outlets at year-end, was deeply in the red when its 55 stores were bought in April 1992 for less than R2,1m. Group CE Trevor Honneysett says the chain was turned around in the first half of the year and it has traded profitably since then. Musica now controls more than 20% of the market.

In financial terms the group's growth record is impressive. In the nine years since 1984, turnover has grown at a compound annual rate of 24,3%, pre-tax income by 19,6% and EPS by 19,5%. In the five years since 1988, the pace is marginally better. Its capacity to sustain annual earnings growth above 19% must be questioned, but — judged by its record — it should succeed, provided the economy does not deteriorate further.

In 1992, R51m was raised through a favourably pitched rights issue; shareholders' funds almost doubled, while issued shares increased only 13%. A large slice of new funds was allocated for expenditure on information technology, but because of the rapid expansion of all three divisions, distribution lines have had to be improved. A new R20m centre has been developed in Cape Town and Clicks has moved to a new centre in Johannesburg.

Funds are continually being consumed as existing stores are updated. But the progressive opening of new stores — one a week — will absorb the bulk of capital spending over the next five years. It's intended there will be 200 Clicks stores (an additional 60), 300 Diskom (210) and 150 Musica (87) operating throughout SA in five years, as the group trebles its size.

Clicks has shown it can sustain EPS growth even after with the dilution of a rights issue. Its stores continue to gain market share, while inflation is slowing and consumers' real disposable income is shrinking. Since the 1988 low of 550c, the share price has risen at a compound annual rate of 42%. Though an historical p:e of 23 makes the counter look fully priced, if EPS growth is maintained at about 20%, the prospective 1994 p:e is less than 20.

The chart does not indicate imminent price weakness, but the growth appears to be flattening. Nevertheless, the share should be accumulated because it's likely to continue to outperform most others in the retail sector. Later this year the share is to be split 10:1.

Gerald Hirshon

Afrikaans status not negotiable

PRETORIA. — The government and the National Party regarded the status of Afrikaans as an official language as non-negotiable, President De Klerk said here. (30)

"We are not prepared to diminish its status as an official language."

ARG 19/8/93

To fiddle with the two official languages, especially Afrikaans, was to put a torch to a powder keg. The aim was to broaden and not narrow the diversity of South African languages, he said. — Sapa.

Warning on "Wendy house" builders

(32)

AAG 19/8/93

Municipal Reporter

THE city council has urged people who want to live in "Wendy" houses to choose reputable builders who know national building regulations.

In a pamphlet in English, Xhosa and Afrikaans, the council building survey branch said the drastic housing shortage made many people want to live in Wendy houses — small, usually wooden, shed-type structures.

Plans had to be submitted and approved before building could start, the council said.

A contract should be drawn up with the developer, covering the costs of drawing, submitting and changing plans. The contract should specify when payment would be made.

Before deciding on a Wendy house, people should decide whether a stoutly built concrete, block or brick house would be better.

"If you buy a Wendy house, ensure plans and construction conform to national building regulations and are approved by the council," the council said.

Anyone needing advice can contact building inspectors

THE WEEKLY MAIL & GUARDIAN
August 13 to 19 1993

Raising funds — and hackles

30

WM 13-19/8/93

Nafcoc's attack on the SBDC has put it centre stage again. **Reg Rumney** spoke to new president Archie Nkonyeni about the organisation's plans

Nafcoc's Archie Nkonyeni ... Sticking to 3-4-5-6 targets PHOTO: GUY ADAMS

ARCHIE NKONYENI, new president of the National African Federated Chambers of Commerce (Nafcoc), set the tone for his presidency by diving headlong into controversy at the recent annual general meeting.

Nkonyeni's demand for a complete overhaul of the Small Business Development Corporation (SBDC) and his accusation that the SBDC was trapped in a culture of apartheid raised hackles.

Nkonyeni, a considered and articulate man, does not seem inclined to confrontation. For instance, he argues quite reasonably that Nafcoc's response to the reconstruction levy will be determined by its level. "If it is, for example, two percent of income and 0,5 percent of some assets it would be like any other tax. But if the size of that levy is so big that it is a form of indirect redistribution or partial nationalisation Nafcoc would definitely be against it."

The controversy stirred by the SBDC row is rather a reflection of the particular currents within the organisation, the oldest of the two black business groupings in South Africa. By virtue of its stated mission of black economic empowerment against the background of apartheid it is unlikely the organisation could ever avoid controversy.

In 1986, Nkonyeni points out, Nafcoc, which was founded in 1964, lost a lot of its South African corporate sector support for not opposing sanctions.

After that came the 3-4-5-6 targets, whereby Nafcoc demanded that by the turn of the century 30 percent of the boards of listed companies should be black, 40 percent of equity should be in black hands, 50 percent of external supplies be bought from black suppliers, and 60 percent of management should be black.

Most recently, Nafcoc has preceded the African National Congress in softening if not abandoning its position on sanctions. Nkonyeni argues it is only a question of time before sanctions are lifted and foreign investors need to prepare to invest.

As for the most recent war of words, some saw it as an attempt by black business to get handouts rather than properly planned loans, others as a legitimate complaint about a persistent tradition of white paternalism.

The argument over how the SBDC should change with the times also focused attention on Nafcoc itself. Writing in *Beeld*, columnist Curt von Keyserlingk contended that Nafcoc's record as a business undertaking was pathetic and that it had already had three big business failures. He said Blackchain in Soweto had to be rescued, the Soshanguve shop centre was half empty, and the African Bank too had to be bailed out. Von Keyserlingk compared Nafcoc's record with that of the SBDC, and argued the donations to Nafcoc, unlike the money put into the SBDC, had apparently had no results.

Nkonyeni replies that those instances have to be seen against the background of the hostile environment in which black business had to operate.

What is Nafcoc's mandate? Nkonyeni says that Nafcoc has 150 000 claimed members, but paid-up membership is around 20 000.

In its earlier years Nafcoc subsisted on contributions from individual members, particularly its executive, but he admits funding supplies most of Nafcoc's money. Nafcoc gets R120 000 a year from its members, and three times that amount from corporate sponsors and donors.

"In terms of our plans and projects we are looking for three times that amount again."

Nafcoc has recently received money from the Independent Development Trust as well as aid from foreign organisations.

Nafcoc is approaching foreign funders to try to establish a guarantee fund to help cushion the risks of foreign investors who go into joint ventures with black business. "We recognise the risks, but are saying we will do something about it."

Also, Nafcoc plans to form a management leadership development centre. Nafcoc is looking to develop expertise so tokenism is avoided in terms of its 3-4-5-6 plan, which despite criticism it has not abandoned. The 3-4-5-6 targets, says Nkonyeni, are essential. "We must prepare targets and measure our progress in terms of them."

While white business has never openly accepted the targets, Nkonyeni says the number of appointments of blacks to the boards of white-controlled companies signals a quiet acceptance by the corporate sector of the principle.

What of other white fears, raised by the contentious manoeuvres of the Thebe Corporation, such as the return of Digital Equipment Corp into a Thebe-linked joint venture, apparently sidestepping the ANC's sanctions stance?

Nkonyeni argues that foreign investors need to be encouraged to invest in programmes which will contribute to the elimination of the backlog of racial disparities in business.

Though he agrees the need for foreign investment is paramount, he insists this will have to be balanced with the long-term need for change, and sacrifices may have to be made. He sees dangers in investment merely contributing to the continuation of white ownership and control.

Is there not a danger of "cronyism" in this approach, and in Nkonyeni's call for black business to interact with the liberation movement to nurture foreign funding and investment? Will it not lead to money being funnelled into ANC-linked organisations in return for access to South African markets?

Nkonyeni notes there are always dangers of corruption in situations where control is exercised. "There should be acceptable ways of dealing with such issues through the rule of the law and political structures.

"Cronyism is unacceptable regardless of what group is in power, particularly the democratic government of the new South Africa. So much is expected of it."

Concern about role of small businesses

B/Day 17/8/93

ROBYN CHALMERS

THE role of small business in the new SA is coming under increased scrutiny, and with it the future of the Small Business Development Corporation.

SBDC MD Ben Vosloo is concerned that a future dispensation may dismantle the organisation, which he describes as "the only effective delivery system assisting small business on a wide scale".

Vosloo believes the involvement of organised commerce and industry is vital to the future survival and growth of the SBDC, and it is at this point that his vision of a booming small business sector comes into conflict with trade unions and other members of the black business community. They place less emphasis on big business involvement, and more on community interests.

No doubt the SBDC's 1993 annual meeting at the end of this month will provide the occasion for the thrashing out of the corporation's future policies.

The issue of small business was placed under the spotlight at the National Economic Forum (NEF) recently, when trade unions demanded a one-third representation on the SBDC's board.

Ebrahim Patel, labour co-ordinator of the NEF's short-term working group, said: "Institutions funded by public money must represent all of the major stakeholders on their boards."

On a social dimension, Patel said the growth of small business could not occur in conflict with workers' standards. In the past, growth of small business tended to take place via the suppression of labour fundamentals, such as living wages and adherence to Industrial Council agreements.

Yet conflict between organised labour and the small business community need not occur.

Patel said the two entities had a lot more in common than first met the eye, and the way was open for the establishment of a constructive relationship between them.

However, there were major issues which had to be ironed out before such a relationship could be forged. The SBDC needed to "come clean" with the percentage of loans it gave out to black businesses, and overcome the perception that it was funded and controlled by "white big business".

(30)

Vosloo said the feasibility of a small business was a major criterion when a loan was considered. The SBDC had managed to keep its net bad debt figure at just over 10%, largely because of this policy.

"With a total capital inflow of R884m, from various institutions, we have granted loans of almost R2bn to 42 000 small businesses. We have created about 330 000 jobs, of which 80% were for blacks, and yet we are still asked why we have not done more."

Vosloo asked why SA's business and government leaders had not done more to promote small business development through the allocation of increased funding. Small business was "all but ignored" in the last Budget, he said.

Vosloo was adamant that small business should not be drawn into the political arena. He said development institutions throughout Africa which had fallen prey to politics had become corrupt, nepotistic and, ultimately, bankrupt.

"It's a business affair, and the only way in which small business can thrive is by the big business community coming forward and playing a more pro-active role," he said.

The Get Ahead Foundation has been forced to use a battering ram to break down the barriers that excluded black entrepreneurs from the economic mainstream. Its successes are marked by the launch of more than 15 000 mini-businesses, reports ***Michael Chester***

Foundation gets ahead breaking law

Star 17/8/93

The confession causes a jolt, especially coming from a highly-respected attorney: "We have been breaking the law for years — and enjoyed every minute of it."

The admission makes a lot more sense, however, when explained more fully by Don MacRobert, managing director of the Get Ahead Foundation, which has been engaged since the mid-'80s in a crusade to bring black entrepreneurs into the economic mainstream.

MacRobert, who was the founder chairman of Lawyers for Human Rights to take on apartheid injustices, is talking about the countless number of times that he has had to flout rules and regulations imposed to hold budding black entrepreneurs at bay from even a foothold in the business world.

"Breaking the law was inevitable when a battering ram had to be used to get through the barriers of red tape that tried to hold back black initiative," he says.

The hassles have proved worth it. A new count shows that the Get Ahead Foundation has been behind the launch of more than 15 000 mini-businesses since the mid-'80s — most of them starting out as one-man operations and, in turn, creating many more thousands of jobs.

Moreover, the triumphs have been achieved on funds as modest as R7,6 million, meaning each new entrepreneur has been able to carve a niche in business on loans as little as R500 on average.

"Bringing problems down to earth and looking at the potential of the informal sector," says MacRobert, "we have discovered it's possible to create jobs for as little as R350, only a fraction of the investment needed by the big companies in the formal sector.

"It could involve no more than the cost of tools and timber to set up a carpenter in business on his own, or cooking utensils and a trolley to start a food take-away, or a good tool kit to start a backyard auto repair workshop."

Turnover

MacRobert pulls out the file on Shadrack Khopotse, who applied his talents as a woodworker to start a mini-business in the backyard of his home in Alexandra.

From the base of a small loan from the foundation in 1986, he was able to move into a proper workshop. Today, he runs S P Khopotse and Sons in nearby Marlboro with a sales turnover of around R100 000 a month.

He tilted his skills to start producing fibreglass products such as canoes, swimming pool covers, bathtubs, water tanks, car accessories, drainage pipes.

MacRobert says Shadrack is now on the brink of export orders from the United States and elsewhere.

"The successes scored by thousands of our borrowers have proved the potential of the latent black skills and entrepreneurship that can be mobilised when given the opportunity, maybe with only a few hundred rands," says MacRobert.

The lessons have been taken to heart elsewhere in Africa.

Get Ahead now acts as consultant to encourage similar initiatives in a growing list of neighbouring countries — Swaziland, Zimbabwe, Mozambique, Namibia — and as far afield as Kenya.

Layers of apartheid bureaucracy have not been the only frustration as the foundation battled to find a formula to assist black advancement among the unemployed and at community level.

There has been the problem of access to finance, even in the most modest amounts, when aspirants have had no collateral to secure loans from the formal banking system.

The Get Ahead Foundation has used African solutions for African problems. It mobilised the stokvel system that has long been in use in black society to raise loans, with entire groups acting as volunteers to guarantee each individual loan and, if necessary, using peer pressure to ensure repayment.

The system works. The foundation has found that only a minuscule proportion of loans has gone sour, even in the worst of times.

"During the sanctions era," MacRobert recalls, "no fewer than 16 overseas governments — plus hundreds of corporate and private donors — made contributions to our budgets when they learned about our operations.

"At first, the concern of overseas donors was that impoverished and jobless black families should not be the innocent victims of international isolation.

"With the collapse of apartheid, the concern has now shifted to encouragement of socio-economic development and black advancement out of the poverty syndrome of chronic unemployment. 30

Job creation

"Assistance is now flowing in faster than ever. Also, more and more multinational corporations and local companies are co-operating in schemes such as sharing out sub-contract work to mini-businesses and opening up their training facilities for budding entrepreneurs in neighbouring communities.

"We have been able to set our 1993 budget at around R30 million and the creation of new job opportunities has now accelerated to more than 1 000 a month.

"If all goes well, we shall be able to double our annual budget next year, and move ahead even faster with job creation and community projects."

Even now, however, with political reform well underway, MacRobert finds he regularly needs to roll up his sleeves in readiness to do battle with bureaucracy delaying black business progress.

On a recent exercise he was still able to list no fewer than 23 packages of rules and regulations he considers outmoded obst cles, "not least the rigmarole of co official forms that need to be compl budding black entrepreneurs but would tax even a trained legal expert".

"For instance, we have a new Business Practices Act that promises to give a new deal to black newcomers to the business world.

"Nevertheless, it is left to individual provincial administrators to put the new rules into effect at local level.

"Do you have any idea about the number of local ordinances under which there is still harassment of street traders and backyard business operations?" he asks.

"Orders that lay down limits on how much time a hawker can trade on one spot before he is forced to move at least 100 m along the street, even orders on the precise minimum size of the piles of newspapers that a street vendor can lay out on the pavement?"

Don MacRobert . . . battles rules and regulations imposed to keep black entrepreneurs at bay.

Big chains lift market share

Star 17/8/93

BY ALIDE DASNOIS

The big retail chains have increased their share of the market in the last four years, despite a rise in the number of small shops.

A retail census by Ibis Marketing shows that the number of small urban grocers has risen by 34 percent since the last survey in 1988, but their average turnover has dropped by 35 percent.

In the PWV region, for every two urban grocers in 1988, there are now three, says Ibis executive director Judy Gordon.

(30)

But their average turnover has plummeted from R550 000 a year to R324 000.

The survey of a representative sample of 700 stores of all sizes countrywide shows that the major chains have increased their share of sales at the expense of smaller retailers.

Hypermarkets and supermarkets have increased their average turnover, while that of superettes, urban grocers and rural grocers has fallen.

Hypermarkets and supermarkets accounted for nearly 56 percent of total sales of groceries, toiletries and confectionery, compared with 52 percent in 1988.

Hypermarkets grew fastest, with the opening of four new outlets and aggressive promotion by the big chains.

Gordon says the increase in the number of urban grocers is not a response to consumer demand, but the result of urbanisation, the relaxation of laws relating to store ownership and the rise in unemployment.

"Compared with other developing countries, we still have one of the lowest numbers of retail outlets per shopper."

The concentration of retailing power in South Africa, she says, is typical of a First World country, not a developing one.

The average South African spent less on groceries, toiletries and confectionery last year than in 1988.

Spending dropped by 14,5 percent to R569 a year per head.

The biggest falls were in the Eastern Cape and the Transvaal outside the PWV region.

The Western Cape came off relatively lightly, with spending per head dropping by 8,7 percent to just on R962 a year.

NEWS FEATURE *Some young people steal to help balance the family budget*

READY FOR ACTION ... A policeman takes up position.

No glimmer of hope for Norman

Sowetan 16/8/93

By Joe Mdhlela

■ COLD COMFORT *No words of encouragement or solace for victims of poverty*

34

NORMAN Masceko, a 22-year-old Soweto lad, is an example of what deprivation does to South African youth, especially those coming from poverty-stricken families.

Like all kids, he had high hopes ... a desire that one day he might be a pilot, a doctor, a dentist, an engineer.

Instead he ended up in a jail cell for stealing cars.

Not once, not twice but several times.

Dare society point an accusing finger at him? Maybe they should not. He is the product of a society which fails to care about his well-being.

Impossible luxury

His parents could not take him to school. They themselves do not have accommodation. Taking him to school would have been an impossible luxury.

No one buys him clothes, not even relatives.

Therefore it would have been illogical to expect his parents to buy him school clothes. He goes through his young life without anyone whispering a word of encouragement. Soothing words that say to him: "We understand. However it is not possible to do all these things. Maybe next year you will get the things you want for yourself."

But there is no "maybe". The future is bleak, with no glimmer of hope.

Norman is one of many Sowetan lads under the tutelage of the National Institute for the Prevention of Crime and Rehabilitation of Offenders (Nicro).

By his own admission, Norman learnt to steal cars to make ends meet.

However, Nicro is doing everything in its power to ensure that our society produces fewer Normans. Admitting that there "are no magic solutions", Nicro's Mr Bongani Nhlato insists that the "street culture" needs to be replaced by hope of a job and the acquisition of a home. In a society where crime has become necessary to balance the "family budget", the solution can be found not only in rehabilitation and counselling, but in the provision of jobs.

Social worker Ms Dudu Ndlovu admits that these are noble things to do, but advises that the most tangible ways of getting around the problem is the creation of employment.

"That is the tangible way of fighting crime. We must provide people with jobs.

"Counselling alone cannot help," she said.

In small and humble ways, Nicro's headquarters in Mofolo provide what it terms community-based job creation programmes. These include arc-welding, bricklaying, carpentry and basic motor mechanics.

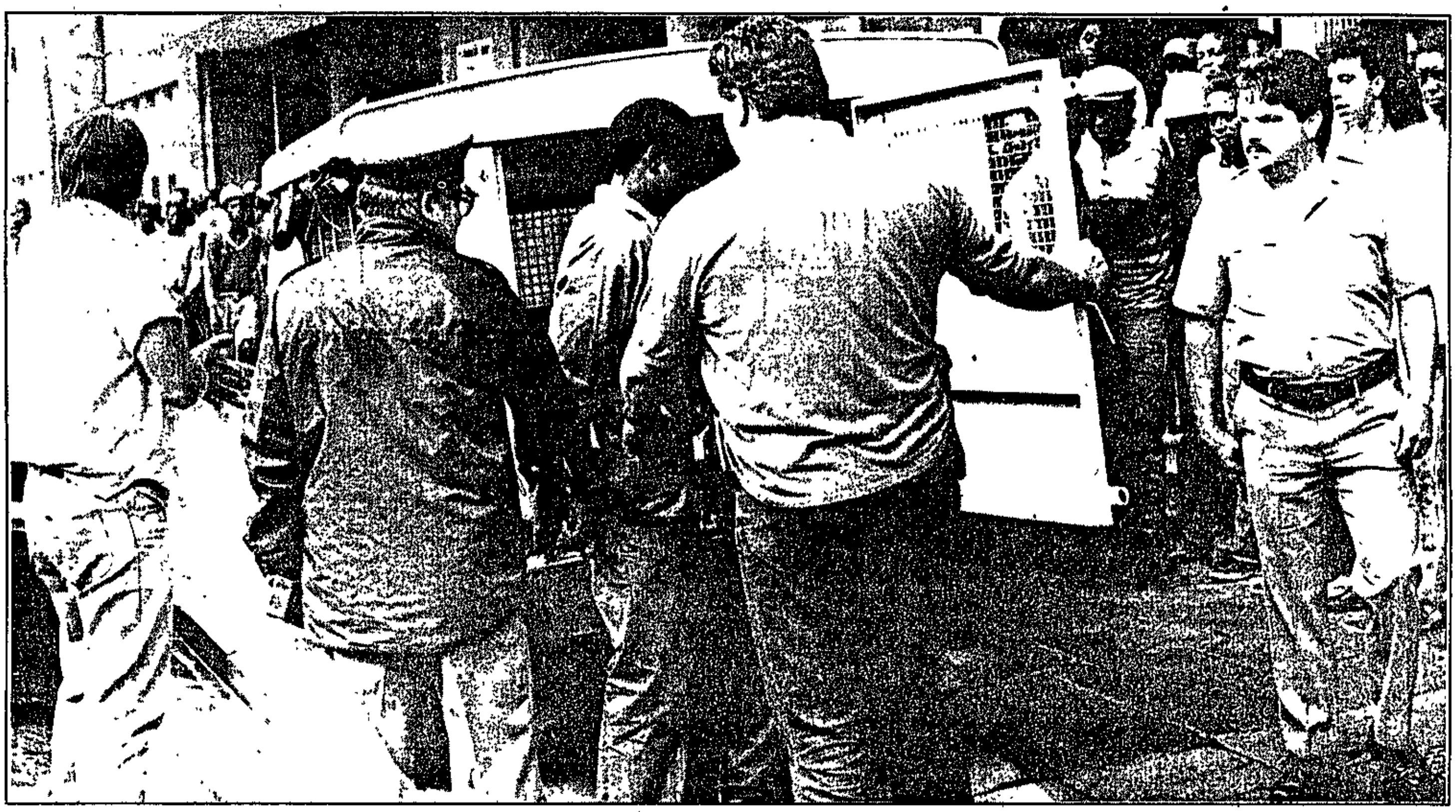
These courses are basic, lasting between two and six weeks.

In the final analysis, it is compulsory education that will bring hope to many would-be criminals.

"We need to make education available to all if we are to succeed in combating crime," said Nhlato.

Senior manager at Nicro Mr Shamane Khumalo suggested that poverty and unemployment contributed to the high level of crime in Soweto

To get an insight into what Nicro does in Soweto watch TSS at 9pm.



GET IN ... Policemen take away a criminal caught in Johannesburg.

Child rapist to sit

By DAN DHLAMINI

A STILFONTEIN man who raped his friend's eight-year-old daughter was this week jailed for five years.

Israel "Goitse-Modimo" Tabane, whose middle name means "God knows", pleaded guilty last Friday to raping the eight-year-old child after entering the friend's house by breaking a window on the night of July 26.

In his statement before a Klerksdorp magistrate, Tabane said that he had spent the day with the victim's mother.

He said she asked him to accompany her and another male friend to a shebeen where they drank and watched the Thobela-Lopez world title fight.

Tabane told the court

Man who assaulted friend's kid gets five years

that the child agreed to have sex with him.

Regional Court Magistrate PJL Venter rejected his version and said having sexual intercourse with a minor constituted rape.

Before sentencing him to an effective five years' imprisonment, Venter said the community had to be protected from people like Tabane.

The rape victim and her younger brother, who at the time of the incident were in the custody of their mother following a divorce, are now temporarily in the care of their father.

While waiting in the court corridors for the case to start, the two children clung to their father and did not even greet their estranged mother.

After the case the father said he was pleased the culprit had been brought to book and blamed his ex-wife for the rape of their daughter.

"Fortunately the psychiatrist who treated her assured us that due to her tender age the psychological scar would not be as severe as it would have been to someone older," said the father.

Economic heroism in the wasteland

C/Press 16/8/93 (30)

By BERENG MTIMKULU

THAMI Majozi can't walk, but his zeal and business acumen are like giant legs.

Though Majozi, 40, is confined to a wheelchair, he has given hope to many unemployed people in Orange Farm near Evaton.

He spearheaded the recent opening of Palestine Small Business Hive in Orange Farm.

No setback could dampen his spirit. Not even when some big comapnies saw red when he approached them to fund a project aimed at inspiring small business development in Orange Farm.

Nor could a car smash in 1989 which put a sudden stop to his livelihood as a painter. His legs were paralysed in the crash.

"After moving to Orange Farm from Soweto in 1989 it became apparent to me that the rate of unemployment was unbearable. A small business development project to equip people with skills and hands-on training was imperative," said Majozi.

He completed a course in entrepreneurship, obtained a Local leadership Development Programme certificate and acquired various skills in manufacturing – then approached the Small Business Development Corporation (SBDC).

Through the Work for Africa project, which is a non-profit business organisation, the SBDC loaned him about R150 000 to buy manufacturing equipment to carry out welding, juice extraction, candle-making and maize milling.

Sponsors included the Independent Development Trust, the Business Task Group for Repatriates, the Informal Business Training Trust, the TPA and the Informal Business Development Trust.

At the hive where he works Majozi trains up to 120 people a month (20 a week) in a range of skills including processing cooking oil, fencing, chicken farming, egg production, and the manufacturing and fitting concrete basins and window frames.

He said the project was training people to produce basic commodities for areas which desperately need them. The project's philosophy is to generate wealth in poor communities.

He said products produced during the training were sold to generate money for salaries and running costs at the hive (mainly electricity and water).

The SBDC had also promised to assist in giving graduates a business kickstart.

COMPANIES

Profurn reports improvement

MARCIA KLEIN

RETAILER Protea Furnishers (Profurn), which survived last year's liquidation of holding companies Supreme Holdings and Supreme Investment Holdings, reported improved interim results to end-June.

Operating results were restrained by harsh trading conditions, but a significantly lower interest burden, arising from capitalisation of R45,3m owed to the liquidated companies for shares in Profurn, saw its earnings rise 50% to 0,3c (0,2c) a share.

The 6% turnover decline to R59,4m from R62,9m was partly attributable to closure of its Cape division, which was provided for fully in the previous financial year.

Operating profit was down 40% at R3,9m (R6,4m) and margins narrowed, but a sharp drop in the interest burden to R1,7m (R6,4m) saw pretax profit soar to R2,2m from R47 000 previously. Financial director Brian Rosenberg said gearing was at 7,8% from 101,5% at end-December.

Attributable profit increased more than fivefold to R964 000 (R197 000). However, the 50% rise in earnings a share reflected 300% more shares in issue after the capitalisation of the loan. B/Day

Rosenberg said Profurn had, with others, been affected by political events in the second quarter. Its trading had also been affected in the first quarter by the liquidation of its holding companies, with suppliers limiting their exposure to Profurn. Terms and deliveries had since returned to normal. 13/8/93

Profurn expected a better performance in the second half, which was traditionally better than the first. (30)

OK BAZAARS FM 13/8/93

Backing Serebro

Little has been said about OK since the hype accompanying the relaunch of its OK Stores in early June. That's probably convenient for management; it makes it easier to get on undisturbed with the mammoth task of turning the group around. (30)

If the share price is anything to go by, investors believe management can achieve new MD Mervyn Serebro's ambitious objectives. At 700c, the share is up on its June low of 525c, though still a long way from the 1982 peak of R27. More importantly, it has outperformed both the Retail & Wholesale and Industrial indices in recent months.

The price increase may be premature but analysts attribute it to comparative scarcity — SA Breweries holds 68%. If things improve there seems little to stop the share going to R20.

Financial director Geoff Kearney is pleased with progress. "Volumes are up significantly and being maintained." The relaunch caused a surge in sales, he says, and OK recorded its highest weekly turnover

cont →

FOX

FM 13/8/93

ever. Distribution problems which arose have been overcome. Quoting IBIS statistics, he says OK has captured market share.

It's clear margins have been under pressure. The assumption is that management will live with that but won't allow them to collapse. This suggests a strategy of reducing prices of high-profile goods while maintaining prices of items with a lower profile. If volumes hold up this will give the group more muscle when negotiating with suppliers. Kearney believes tangible benefits will be reflected in the March year-end results.

Analysts are looking to a halving of losses in financial 1994, which translates into negative EPS of around 180c, and at best break-even in 1995. (30) *Marylou Greig*

FM 13/8/93 (30)

RUSFURN

Sussman stands firm

Someone had to give ground in JD Group's takeover of Rusfurn. And, as we predicted, it wasn't JD chairman David Sussman.

He has pulled off a good deal for JD and, by extension, parent W&A. Terms are more complex than the architects suggest: essentially, JD is to acquire Rusfurn for R85m by making an offer to all Rusfurn shareholders, who may elect to convert into either JD ords or redeemable convertible prefs, though they may take no more than 50% in ords. Conversion is to be at R7,54, JD's NAV at the end of last year.

Dion Stores, wholly owned by Rusfurn, is being on-sold to Massmart, part of the Wooltru Group, for R90,1m cash — exactly the price the *FM* predicted. Sussman confirms the proceeds will immediately be injected into Rusfurn as a subordinated loan.

Even more interesting is what happens to Rusfurn's accumulated debt mountain. At R406m at the time of the transaction, it comprises convertible debentures and bank overdrafts. As we speculated, Sussman, who held most of the cards, wasn't about to be dragooned into a rescue operation for Absa.

Conversion of Absa's redeemable prefs along with JD's loan of R90m, provided courtesy of Wooltru, reduces debt to a more manageable R128m. However, to be fair to Absa, it now has the opportunity — if Sussman is successful — of seeing its involuntary investment in JD turn into a golden egg.

JD intends recapitalising through a rights issue of at least R75m. Part of the price Wooltru has to pay for Dion is to participate in this by taking up about R25m rights renounced by W&A. That will make Wooltru a 6% shareholder in the enlarged JD. Rusfurn's listing will be terminated, probably within a few months.

The view from Wooltru and Massmart, which has long coveted Dion's discount merchandising operation, must be that the acquisition has many synergies, in both advanced technologies and better trading margins than those in Massmart's wholesale food trading businesses.

Dion's NAV, as reported last week, is probably about R50m. On the face of it, Massmart paid over the odds; however, Dion's cash flow is excellent and its potential is regarded by Massmart's managers as unusually good. The premium is obviously considered worthwhile.

Of course, Wooltru's acknowledged problem is that it has too much cash. Dion — once it's operating again at full bore after years of being Rusfurn's milch cow — will be a major cash generator. That will only compound Wooltru's problem — a position which will earn the giant little sympathy.

An interesting aside is what Rusfurn might have got had it sold Dion years ago, when Wooltru first showed interest. A figure of R180m is one we keep stumbling over, though mention of it turns brave men pale.

Meanwhile, Sussman is faced with the problem of turning his hugely enlarged furniture group — SA's biggest — into a successful, profitable, operation. He may find that rather more difficult than putting the deal together, though he cheerfully says the tough part is behind him.

David Gleason & Marylou Greig

Camps Bay 'needs more policemen'

Municipal Reporter (35) ARG 12/8/93

CITY councillor Chris Joubert will seek a meeting with regional police commissioner Nick Acker to ask for more police for Camps Bay.

In the past two weeks there has been an armed robbery and an attempted rape — and two youths were tied up and one knifed.

Mr Joubert said the police station was understaffed.

"The Minister of Law and Order has given R20 million for community policing — we want our share," he said.

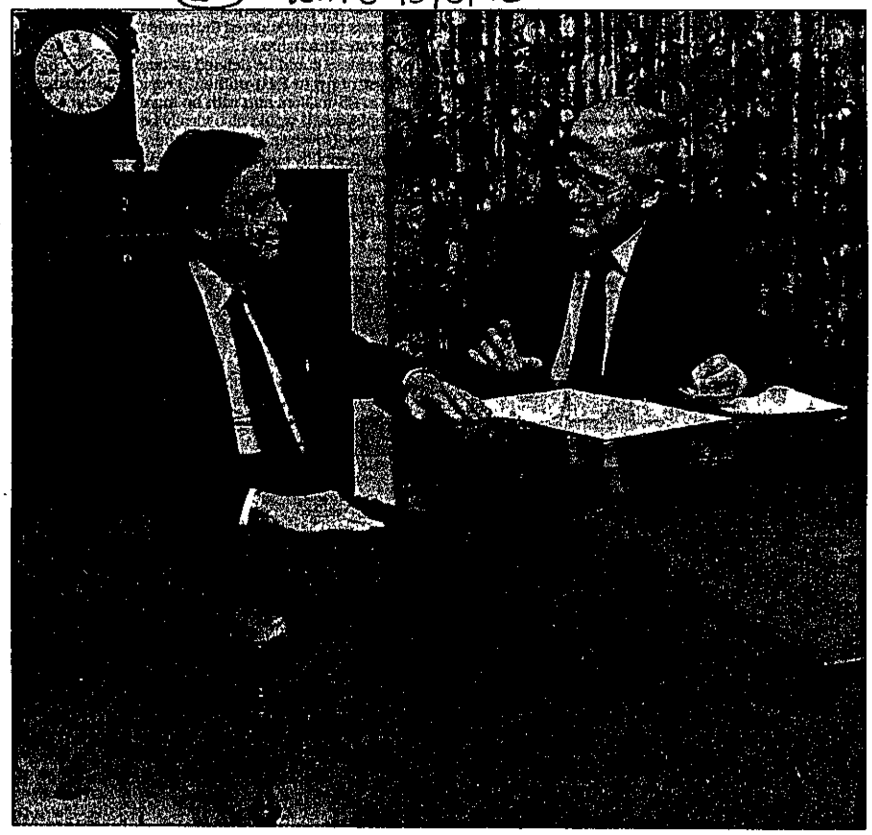
"This is not to diminish the terrible crime problems in the townships, but we are facing problems in a suburb which was once crime-free."

BUSINESS & FINANCE

Small business, big row

(30) WM 6-12/8/93

The SBDC is under fire again. Reg Rumney looks at the bubbling row around pending changes in the corporation



Founders Anton Rupert and Ben Vosloo ... in the hot seat for too long? PHOTO: SBDC ANNUAL REPORT 1992

WHEN the Small Business Development Corporation (SBDC) holds its 1993 annual general meeting at the end of this month, the eyes of many different interest groups in the small business community will be on chairman Anton Rupert, managing director Ben Vosloo, and board members.

At the SBDC, key questions include the position of founding chairman Rupert, who has now completed 12 years of service but may have become increasingly out of touch with the real forces now dominating the small business scene in South Africa and the future of Vosloo, whose term of office actually expires at the end of 1996.

A critical issue is the composition and role of the board. Now it consists of more than 50 directors, with every private sector donor contributing R1-million or more entitled to a directorship.

Trade unions, black business associations, organised commerce and industry, and other small enterprise support bodies are not represented formally, only on invitation This is decided by the board executive. As a result, the executive, chaired by the managing director, is dominated by eminent top company representatives, associated with the SBDC since its early days and not too overtly critical of its operational and management style.

At the National Economic Forum (NEF) the unions recently demanded one-third representation. The board may offer them a seat or two on the 20-person executive, but probably none on the core decision group, the "action committee", which is also chaired by the managing director.

The NEF this week voted R30-million for small business development and non-governmental organisations involved in small business development.

Vosloo this week denied reports the SBDC had been bypassed by the NEF, pointing out SBDC submissions have been approved and will be announced at the SBDC's AGM.

Most recently the National African Federated Chambers of Commerce (Nafcoc) launched a strongly worded attack on the SBDC.

Accusing the SBDC of rigidity and racism, Nafcoc president Archie Nkonyeni called for a complete overhaul of the SBDC's ownership, control and administration.

Vosloo's view is that several pressure groups have over the years tried to influence the operations of the SBDC, as the major national small business agency, or "to drag it into the political arena".

Dawie Crous of the SBDC, who later addressed the same conference in reply to Nkonyeni, expressed a feeling of irony which must be shared by some SBDC staff that the corporation attracts interest from all over Africa because of its success, yet black business in South Africa wants to change it completely.

He said the SBDC had financed 22 000 black businesses, and said it did not advance big loans to black businesses because there were few large black businesses.

Vosloo noted: "With a total cash inflow of R884-million the corporation has granted loans twice that amount, ie R1 600-million to 42 000 businesses, of which more than 50 percent are black."

This week Nkonyeni said he had yet to hear from the SBDC and had seen Vosloo's response in the weekend press.

"That response does not begin to address the deep concern of black people about the SBDC."

He did not want to get into an argument over arithmetic. Even on that level, though, there was huge disparity between what was loaned to black and to white business. The number of loans going to blacks was not as important as the amounts, he stressed. Given that 80 percent of the population is black, the corporation could not say it was playing a role in black business development if 50 percent of its loans went to non-blacks, he said.

Nkonyeni also asked why, if the bulk of small business development was black, the corporation should still have a white chief executive, and not even a black deputy chief executive.

He questioned the accountability and transparency of the corporation's board.

The national board of around 58 people which meets as seldom as once a year, as the board does, must be a rubber stamp. The regional boards do not represent black business because the members are nominated by the SBDC, he said.

"There is an inner group of eight people who are in the driving seat. We don't know who they are, but I would be pleasantly surprised if there were even one black person among them."

Claudia Manning, who is engaged in a small business policy study for the German political foundation Friedrich-Ebert-Stiftung, echoes Nkonyeni's concern about accountability.

The SBDC head office, she says, is not amenable to what it sees as outside interference. And though its financial statements are public, the inner workings of the SBDC are not that clear.

Moreover, the SBDC staff and policy orientation do need to be restructured, she stresses.

The African National Congress and other black leaders have also called for a restructuring of the SBDC control system, but no specific suggestions have been advanced. This may point to the need for a more "open" commission on the future role of SBDC and how it could fit into South Africa's future small enterprise strategy.

Some observers fear Vosloo and his top managers may want to sidestep such an open inquiry by the quick implementation of a number of reforms, enabling the present team to present themselves as the new-look SBDC, committed to a new set of priorities.

Manning, for one, fears the corporation will try to defuse criticism by doing so unilaterally before other organisations can become involved.

"A whole range of organisations need to come together to define the terms in which the SBDC needs to be restructured."

Crous said the SBDC at its AGM will announce massive support for black business. Though he stressed this had nothing to do with Nafcoc's attack it will be seen by some as an attempt to buy off black business.

At the same AGM, an independent panel will be announced to look at how the SBDC will be structured in future, he said. Again, this will not pacify those who want a say in reshaping the SBDC.

In the process of unilateral restructuring the apparent sideways shove of Wolfgang Thomas, regional general manager of SBDC's profitable Western Cape area, came as a surprise to many observers — and apparently also to him.

An outspoken economist and active participant in the Western Cape Economic Development Forum, he had long been calling for stronger SBDC orientation towards micro-enterprises It is rumoured Thomas prepared the document on which the new strategy has been based.

Thomas and Vosloo, former colleagues at Stellenbosch University, agreed on some things and strongly differed on, among other issues, those related to management style and communication with other players in the field. Within the corporation he is, rightly or wrongly, associated with a move towards greater public control of the SBDC as opposed to Vosloo's insistence it is a private sector organisation.

The SBDC denies Thomas has been sidelined Officially, Thomas remains in Cape Town as a senior general manager and national head of "special projects".

Thomas was not willing to comment on the move or the nature of his future contribution But it seems clear from rumblings around staff and regional committee members that Vosloo's surprise move did not carry their unqualified support.

Waking the nation to a new culture of lending

(30) WM 6-12/8/93

Mondli Makhanya

ON any day of the year, in any part of the country, there is small business collapsing, leaving behind a trail of unpaid loans and other bad debts.

The fact that many of these business fail due to poor management has dissuaded major lenders from giving loans to budding township entrepreneurs. This despite the fact that institutions such as the Small Business Development Corporation (SBDC) and banks have committed themselves to aiding emerging businesses.

The problem? "Nobody has paid attention to financial controls," reckons Vusizwe Business Solutions managing director Ian Melamed.

"We are at a point where bodies like the SBDC are being called upon to do more for the disadvantaged and many banks are trying to lend more money to black entrepreneurs. But in most business start-ups there are just no financial controls. This a major problem and one of the main reason black businesses are failing," Melamed points out.

Which is why Business Support Services (BSS), of which Melamed is a co-founder and partner, set up Vusizwe last year at the behest of homeland leader turned business consultant Enos Mabuza.

Vusizwe — which means "wake up the nation" — started with five black data processing graduates, whose task was to liaise with black businessmen in the townships and provide them with computerised financial control systems. A branch has now been set up in Soweto and another is being set up in Rustenburg

Vusizwe has set up a procedure whereby a company representative accompanies the borrower to the lending institution and guarantees that Vusizwe will provide management systems for the business.

"We already have an established name and the banks know us," says Melamed. In fact banks have begun sending prospective borrowers to Vusizwe to set up their financial controls systems before granting finance.

Melamed is highly critical of South African lenders, including the SBDC and other developmental institutions "They haven't the foggiest clue how to lend to people. You need a cultural system of lending in this country," Melamed says.

He suggests if financial institutions lend to an entrepreneur they must not only lend to his business but to his entire household too.

"You need to combine all your lending into one. You must contribute towards bursaries and towards the individual's house. If you don't do that, as has been the case, then the businessman will simply take money from his business and use it in his home and then the business will falter and money will be lost. On the other hand if he knows his entire livelihood is at stake he will be unlikely to default," he argues.

Melamed warns that instead of trying to copy foreign models such as the Grameen Bank of Bangladesh — which lends to very poor people — South Africans should concentrate on developing institutions appropriate to their own circumstances.

Call for joint building ventures

BDay 11/8/93

ROBYN CHALMERS

JOINT ventures between large construction companies and small black builders were mooted at a construction industry meeting on housing policy yesterday.

"These are vital to uplifting the black community and moving towards an integrated industry," said National Association of Home Builders president Martin van Zyl.

He said the transfer of skills in the construction industry, affirmative action, and the location of housing projects were three issues high on the agenda of any future housing policy.

Van Zyl added that the response from the 100-odd members of the building industry regarding the issues of affirmative action and the transfer of skills had been encouragingly enthusiastic.

Another key issue on the agenda was the size and location of stands. "Future projects need to be located far closer to the city centre — we cannot have a repeat of the current situation where people are travelling miles to their jobs," he said.

The most important objective was to avoid the formation of further slums around the city and to ensure housing standards in these areas were uplifted. (32)

"The size of the stand is equally important. Tiny stands with tin shacks crammed onto them make for slums. We would prefer a longer-term view, with a 10-year period in the formation of a suburb," he said.

Van Zyl said housing policies were highly sensitive in SA, but black empowerment and skills transfer were the bedrock of any future housing projects.

Van Zyl said he believed these factors would make small and medium-sized construction companies the backbone of the future industry.

SBDC invites unions for input talks

30

CT 11/8/93

Own Correspondent

JOHANNESBURG. — Small Business Development Corporation (SBDC) MD Ben Vosloo yesterday invited trade unions to discuss future representation on the SBDC board.

He said he had not yet been approached by the trade union movement to discuss the issue, raised at the Nafcoc conference and at the National Economic Forum. Vosloo doubted that the one-third representation, that labour reportedly called for, was "entirely feasible" but he said he was "more than willing" to talk to the unions.

"Trade unions have generally tended to steer clear of small business. However, it is a policy issue to be discussed."

The SBDC has been criticised recently for not having greater black representation on its board, and for being dominated by big business and government.

Government has a 50% shareholding in the SBDC, which secures it a 25% representation on the board. The remaining seats are occupied mainly by members of the private sector, but there is an opening for "skilled experts" via article 49E.

The issue of black representation will be addressed at the agm at the month-end.

August 7 to August 11 1993

SBDC calls on big business to help

THE Small Business Development Corporation has requested major companies to assist in providing sub-contracts for small businesspeople.

The corporation is to discuss this proposal with big business at its Small Business Week in Cape Town from September 4 to 11.

Among major companies which will be participating are South African Breweries and Engen, said spokesperson Sylvia Malinowski this week. 30

The SBDC has also organised two full days of events on September 4 to launch the Small Business Week at the Waterfront.

A marquee will be set up on Market Square which will serve as a Business Advice Centre containing a variety of information and exhibits covering general information, advice on informal (craft/flea) markets and spaza shops, youth entrepreneurship/business games and the service industry.

The programme will include tips from successful entrepreneurs and will involve audience participation.

The Small Business Week will cover almost every topic associated with the sector in South Africa.

Students will be drawn in with a presentation by the SBDC on entrepreneurship on September 6.

From September 6 to 11 there will also be tours for high school pupils to SBDC hives in Mitchells Plain and video shows on various topics at the SBDC building in Sir Lowry Road.

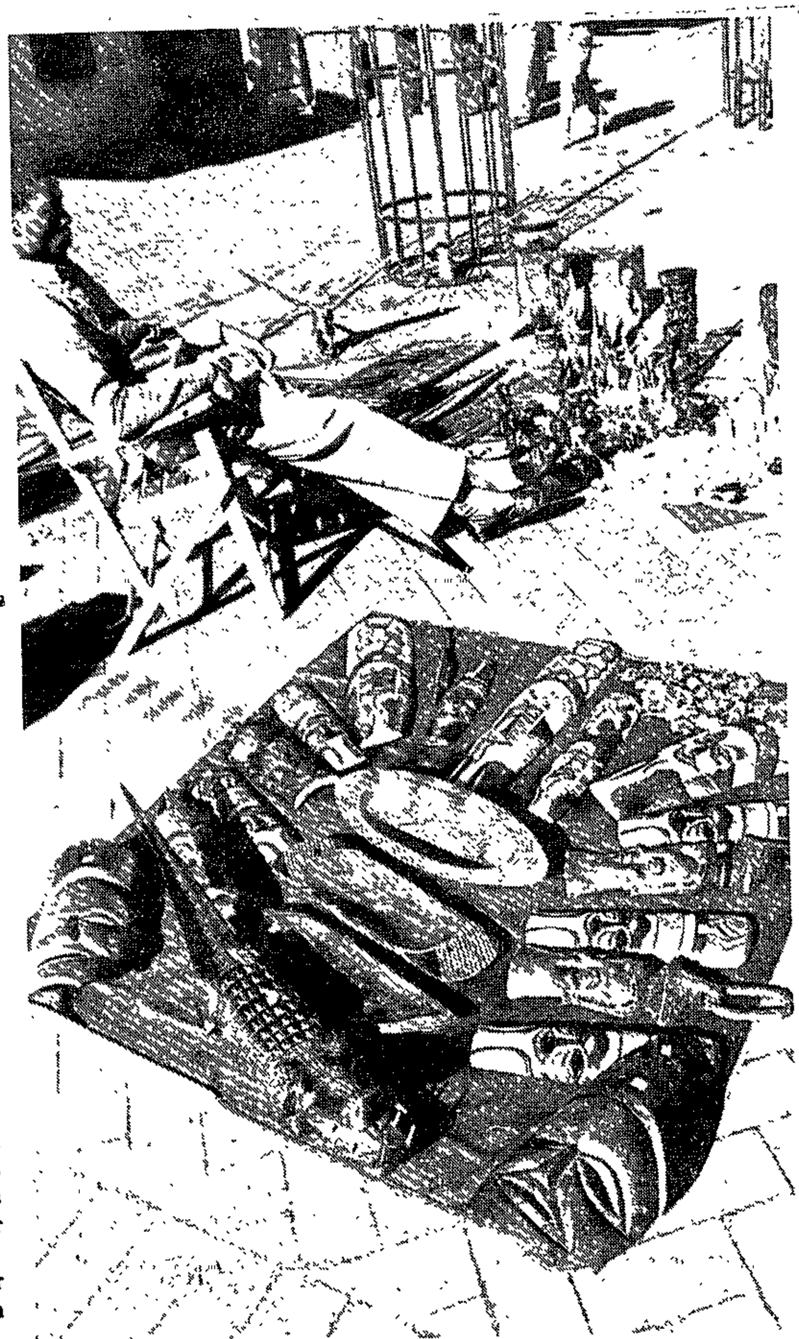
On September 10 the awards for the Entrepreneurship Competition for high school pupils will be held.

Other areas covered during the week are seminars which include self-employment, the changing face of labour relations and drawing up a business plan.

On September 7 the SBDC will be offering free consultations with their business mentors at their offices.

Topics include marketing, drawing up a business plan, reading financial statements and costing.

The Western Cape Entrepreneur Awards will be held on September 11.



JOBLESS: By 2000, 44 percent of the SA labour force will be unemployed. Self employment can help avert disaster

SBDC invites unions to discuss board

ROBYN CHALMERS

SMALL Business Development Corporation (SBDC) MD Ben Vosloo yesterday invited trade unions to discuss future representation on the SBDC board. BDay

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"Trade unions have generally tended to steer clear of small business. However, it is a policy issue to be discussed and dealt with by the interested parties." 11/8/93

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Government has a 50% shareholding in the SBDC, which secures it a 25% representation on the board. The remaining seats are occupied mainly by members of the private sector, but there is an opening for "skilled experts" via article 49E.

This allowed implementation of an affirmative action policy and paved the way for people skilled in important areas. "I cannot say whether or not there will be a change in control in the SBDC in the future, but it is something which must be discussed," Vosloo said. (300)

The issue of black representation will be addressed at the AGM at the month-end. SBDC sources said they were sensitive to criticism, but it was up to shareholders to decide on strategy.

Clicks 'will treble in size' over next five years

MARCIA KLEIN

THE Clicks Group, which holds the Clicks, Diskom and Musica chains, would treble in size over the next five years, directors said in the latest annual review. BDay

The group, in the Premier Group stable, reported earnings of 138c in the year to end-April — up 27% on pro forma prior year earnings of 109c a share. Chairman Gordon Utian said Clicks was opening a new store every week at present. 10/8/93

Although the past year was one of the worst yet for retailers, it was one of vigorous growth for the group. Clicks achieved earnings growth by opening up new business opportunities and widening its market penetration by growing core business. (30)

CE Trevor Honeysett said despite the fact that the political road ahead was uncertain, the group would be able to continue with its ambitious growth plans in the coming year.

Over the past five years, Clicks had accomplished what previously took 20 years to achieve. The group had trebled its stores to 300, comprising 140 Clicks, 90 Diskom and 63 Musica stores. Turnover had more than trebled to nearly R950m, and earnings grown to 138c a share from 56c in 1987/88.

A total of 45 new stores were opened during the year.

Diskom was developing strongly, and already accounted for about 20% of group turnover and profit. And Musica had undergone "a spectacular turnaround".

Honeysett said in the coming year the group would focus on strengthening its product ranges, provide more added value and continue to open stores at the rate of one a week.

Region's economy lags – study

Spotlight on decline of Central Wits

Star 10/8/93

■ BY JO-ANNE COLLINGE

THE economic woes of the Central Witwatersrand area will be discussed at a workshop today.

Political, business, local government and civic interests will meet in Johannesburg tomorrow to find ways to reverse the economic decline of the Central Wits region. (30)

The workshop — in search of a new form of economic co-operation — has been convened by the Central Wits Metropolitan Chamber, which earlier this year had published a study showing that:

■ The Central Wits's economy was declining more rapidly than those of all other major centres.

■ From 1980 to 1991, the Central Wits lost 39,5 percent of manufacturing jobs, while the country as a whole showed an increase.

■ Growth in the financial and business services sectors in the Central Wits was about half that registered in Cape Town and the rest of South Africa.

Professor Richard Tomlinson, who heads the Metropolitan Chamber's economic development working group, said that the workshop could pave the way for a new economic partnership for the metropolitan region.

There will be input from Cape Town, where the Western Cape Economic Development Forum (Wesgro) has already taken root firmly, and from Durban, where a parallel process is under way.

Wesgro chief executive David Bridgman, one of the key players in the Cape forum, said he believed the institution was "indispensable" as it had established common ground and a way forward for two divergent streams of development — the old "establishment" approach and new community initiatives.

Agree

"It is a slow, step-by-step process, not without its frustrations," commented Bridgman. But the forum — which embraces labour, business, various tiers of government, political parties, parastatal bodies and civic interests — had been able to agree on focal areas for specialist commissions.

And, after just six months, members were "approaching convergence" on the development strategies to be employed.

Consumer boycott threat to Pretoria

B/Day 10/8/93

ADRIAN HADLAND

PRETORIA — The Mamelodi Civic Association threatened yesterday to "strangle" Pretoria with a consumer boycott following the announcement that electricity rationing would be introduced to the township tomorrow.

The Pretoria City Council, which acts as administrator for Mamelodi, said yesterday that electricity rationing, scaled down refuse removal services and possible cuts in municipal employees' wages had become necessary due to the parlous state of the township's finances.

Mamelodi Town Clerk Koos Nel said the township's residents owed almost R90m in services arrears, while the Mamelodi Town Council owed Pretoria R42m and millions more to other creditors.

"The Mamelodi City Council is now penniless," he said.

As Mamelodi's administrator, Pretoria had decided to cut drastically municipal services expenses in the township.

From tomorrow, electricity would be provided to Mamelodi only from midnight until 10am and from 5pm to 7pm, he said. Humane reasons dictated that the electricity could not be cut off altogether.

The scaling down of refuse removal and "further drastic measures", including municipal personnel salary reductions, also would be considered, Nel said.

The Mamelodi Civic Association and the Pretoria City Council had agreed in February this year to impose a flat monthly rate of R50 on residents, partly to address the arrears and to instil a culture of payment.

However, Nel said yesterday the Mamelodi council could not make ends meet with the flat rate and proposed a new R200 levy.

"The residents of Mamelodi are urged to pay their full municipal accounts to prevent more cost-cutting measures and the total collapse of municipal services," he said.

But the civic association reacted angrily yesterday to the rationing and the proposed cutbacks.

"We will galvanise the whole community into unprecedented mass action," a civic statement said.

This included the non-payment of the R50 levy and court action against the Pretoria City Council to prevent electricity rationing and salary reductions.

"We will strangle Pretoria with a consumer boycott," the statement added.

The community would be encouraged to pay more than R50 monthly if corruption was investigated and the remaining Mamelodi councillors dismissed, the statement said.

(20)

'Crime driven by money problems'

DIRK VAN EEDEN

PRETORIA — Economic problems were probably the biggest factor contributing to crime, Deputy Justice Minister Sheila Camerer said yesterday.

Speaking at a conference on crime prevention in Pretoria yesterday, Camerer said politically motivated violent crimes constituted only 0,72% of all serious crimes last year.

More than 65% of all crimes in 1992 had been aimed at acquiring property or basic necessities. B/Day

Crime had increased by only 1,49% in 1992, yet the public felt they were in closer contact with crime. 10/8/93

Ways had to be found to reverse this perception, or people would take the law into their own hands.

The law not only had to succeed, it had to be seen to succeed, she said.

It was of little value if criminals were arrested quickly, but court appearances were postponed and the public was left with the impression that the law did not succeed.

Lawyers had to find ways of keeping unnecessary civil cases from clogging the system and avoid postponements.

Police should make sure witnesses showed up for court appearances and do their investigations as thoroughly as possible. (38)

Courts had to take more time to explain sentences to the public and make more use of community service as a sentence option.

It was a universal phenomenon that the combating of crime and the administration of justice should be subject to constant scrutiny.

It should constantly adapt to keep abreast of developments and changes in society's needs.

CANADA

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Morkels fails to achieve targets

B/Day 9/8/93

LINDA ENSOR

CAPE TOWN — Furniture, appliance and sports goods retailer Morkels had slipped behind its targets in its first quarter of trading but would probably still achieve the 25% growth in profit projected for the full year to end March, group MD Carl Jansen told the annual meeting yesterday.

A 5% increase in turnover to R335m (R318m) and a 25% rise in earnings a share to 17,9c (14,3c) (without taking into account tax rate changes and the secondary tax on companies) has been forecast.

Trading in the first quarter was difficult, especially after the assassination of SACP leader Chris Hani and the subsequent violence.

(30)

Jansen said the pressures of unemployment on the retail sector had become "punitive" as customers found it hard to meet their obligations or to commit themselves to long-term debt.

He said action had been taken in all divisions to control margins and costs to ensure the group's objectives were achieved. The targets were attainable provided there was a modicum of political stability and a reasonable opportunity for the markets to achieve equilibrium.

A 10% provision was made for bad debts but Jansen said this was not fully utilised.

He did not believe Morkels would be affected by the realignment of the furniture sector following the J D Group's takeover of Rusfurn. The merger would not change the nature of the pressures on the group and the niche in which it operated.

Jansen said Morkels' market share had remained fairly constant over the years.

Chairman Rian Pauw added that the group's main objective was not to gain market share but to improve the quality of the business.

Facelift ahead for SA's company law

S1 Times 8/8/93

(30)

By CARMEL RICKARD

THE country's most influential company lawyers have embarked on a major new task: preparing detailed proposals for changes in company law to present to the new government as soon as it takes over.

Delegates at a conference in Johannesburg last week described some aspects of existing company law as outdated and inhibiting to business. In addition, problems of enforcing the law meant that even provisions intended to protect minority shareholders were often ineffective.

Many speakers urged a thorough revision of company law, although the chairman of the Harmful Practices Board, Professor Louise Tager, suggested the Companies Act be completely scrapped.

The conference launched the first phase of a significant review of company law. In his introduction to the conference, Mr Justice Richard Goldstone, chairman of the Standing Advisory Committee on company law, said legislation should be brought into line with the country's main trading partners.

Control

This meant choosing whether to keep to the English tradition on which the South African law has been based, or looking elsewhere for models such as the European Community and the US.

A second important debate was whether the law should provide for worker participation in company control and, if so, how.

The judge said company law could help correct inequalities created through centuries of discrimination. To achieve social justice, however, company law had to be seen to be working for the benefit of the majority.

After presentations by international experts about other countries' systems, delegates decided that the advisory committee should continue researching possible changes to the law, consulting widely to draw up proposals. These would be presented to the new government so that decisions about changes to company law could be made as quickly as possible.

Researchers will try to find ways of involving workers in the management of companies. They will ~~also~~ investigate a form of company, appropriate beyond this country's borders, which could facilitate a possible future southern African trade bloc.

Delegates also urged a revision of company law insolvency provisions.

They said the emphasis of insolvency law should be on keeping companies alive rather than on liquidating their assets.

Winners only in Rusfurn sale

SI Times (Buss) 8/8/93

By CHERILYN IRETON

ON paper it may look as if Wooltru subsidiary Massmart got the short end of the stick in the tripartite Rusfurn deal.

But after seven months of tough, sometimes touch-and-go negotiations, all parties are celebrating a deal which has positive spinoffs for all concerned. 20

In the first leg of the transaction, W&A subsidiary JD Group will pay R85-million for the Rusfurn furniture retailing group, which includes Dion Stores, Russells and Rudicks. JD will immediately hive off Dion to Massmart for R90-million.

Massmart chief executive Mark Lamberti says: "For R90-million, Massmart gets access to a 20-store mass-merchandise chain which is a household name and has a turnover of more than R600-million a year."

Dion's net asset value is R45-million.

Absa rids itself of the last major problem account it inherited from Bankorp — at a much better price than had been envisaged. It gets around R75-million of the price tag plus R26-million in arrear dividends. The balance goes to other Rusfurn debenture and shareholders. Rusfurn's net asset value was approximately R86-million.

Absa also recovers some of the multimillion-rand provisions set aside in case Rusfurn folded.

JD Group doubles its size, rationalises the furniture retail business and together with mentors W&A and Trencor receives an asset with considerable potential.

Rusfurn's debt will be cut by two-thirds from R406-million to R128-million with the proceeds of the Dion sale and rights issue. JD will have 600 stores with a turnover of more than R1,3-billion.

After many proposals were thrown about between the heavyweight negotiators of both teams, the deal finally accepted was one proposed by Absa and includes an increased price tag as well as a better deal for Rusfurn shareholders.

The price paid is equivalent to 30,6 cents a Rusfurn share and compares with the JSE trading price of 30 cents. It is also 22% higher than the price at which Rusfurn was trading prior to the start of negotiations.

So keen was cash-flush Massmart to get its hands on Dion that it agreed to help facilitate the recapitalisation of JD by investing a further R25-million in the group. This is its first investment in furniture retailing.

Mr Lamberti says: "We have a lot of faith in David Susman and his team. We will have a representative on the board to look after our investment."

Massmart conducted a due diligence report and market research before settling on its role. Mr Lamberti says Dion is in better shape than most believe. "Dion was out of place in a credit-driven furniture conglomerate. The financial and management troubles at Rusfurn of the past few years forced it into a defensive mode."

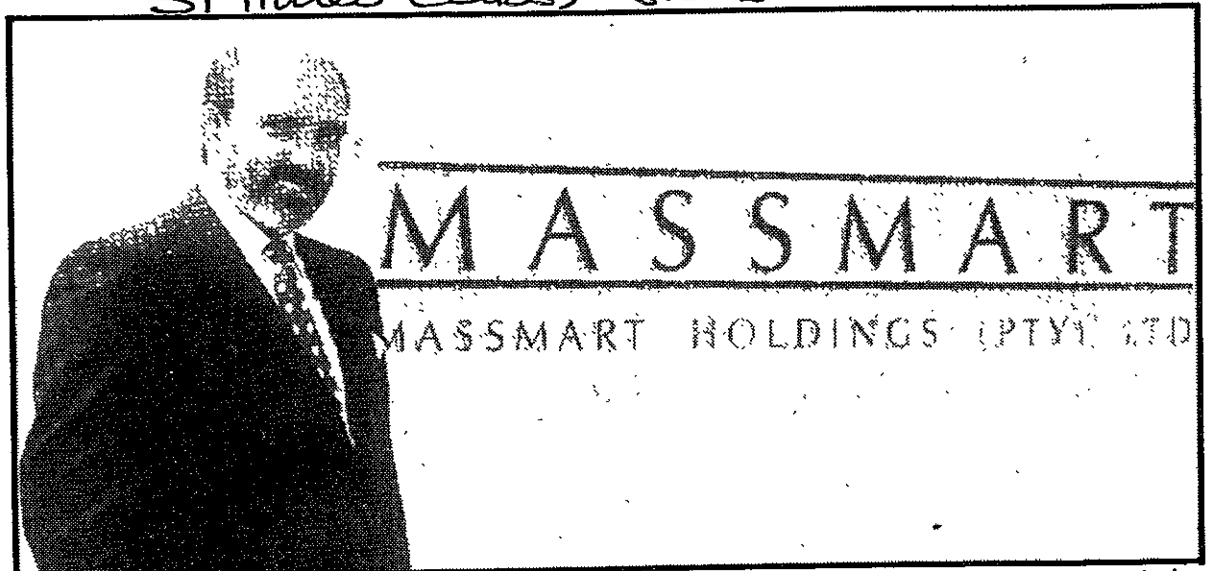
The purchase, which will lift Massmart's turnover potential to R3,2-billion a year, will have an impact on profits in the current year.

"It will not be too significant because we have some cleaning up to do. In the longer term it strengthens our position as a general mass merchandiser. It gives us leeway to import more exclusive goods because we will have a bigger spread and the opportunity to focus on key suppliers. It also gives us leverage on margins," says Mr Lamberti.

He is determined not to tamper with Massmart's existing businesses, which include wholesaler Makro, Makroffice, liquor chain Drop Inn and club wholesaler Shield. Market research indicates only a 6% overlap between the Makro and Dion customer base.

Massmart has two tasks. It will start preparing Dion for Christmas to make sure it corners what turnover there is and at the same time it will begin refocusing the group.

Mr Lamberti says: "You won't see much of Massmart on the acquisition side for a while. We've got to digest this one and it will take a year or two to settle down and for us to find the synergies between Dion and Makro."



MASSMART'S MARK LAMBERTI: 'It will take a year or two to settle down and find the synergies'

Dion will remain primarily a cash-driven business. Big chain merchandising techniques are swinging to shaping the profile of each shop to the profile of the community. This is the way Dion will go.

Dion has been on Massmart's acquisition list since 1989. Each time negotiations began, there were management changes, either at Rusfurn or Absa.

The restructuring of Absa's exposure to FSI forced the suspension of talks for Rusfurn. They were reopened earlier this year after Trencor took a major stake in FSI.

From Massmart's side the list of individual negotiating partners is formidable and includes Geoff Austin, Hennie van der Merwe, Piet Liebenberg, Laurie Korsten, Phillip Jacobson and Piet Badenhorst.

Dion's future rests on the assumption that as people move into more stable housing environments, they will buy durable and semi-durable goods. Mr Lamberti sees opportunities in secondary urban markets, which are presently unable to justify the very large Makro outlets. These areas could be penetrated by a combination of a Shield member servicing the food and grocery segment, and a Dion store providing general merchandise.

Its high consumer awareness and support makes it dominant in certain product categories.

"We believe in the concept of category dominance and anticipate that in conjunction with Makro's existing non-food business, we will be able to entrench Massmart's importance in certain product categories. In other product areas where neither Dion nor Makro alone has been able to achieve critical mass, there will be new opportunities created by combined procurement expertise and buying power, especially when dealing with imported goods and private label programmes."

Tab		Age group	<6	6-	12-2	24-3	36-4	48-5	Tot

MORKELS FM 3/12/93

Question of strategy

Pre-interest profit for the six months to end-September fell by a disappointingly steep 26%, but this was because of strategy rather than poor operating management or the difficult trading environment. It should be seen in the light of the 30% decline in interest paid. 30

Management has adopted the unusual tactic of using selected suppliers to finance, directly, sales to selected customers. These sales are treated in the accounts as cash transactions. It saves interest payments on borrowings that would have been incurred to fund additional debtors. Because of this innovation, pre-tax profit was the same as in the first half of 1992. The additional boost from a lower tax rate enabled a 15% increase in after-tax profit. EPS rose similarly.

With debtor funding reduced, working capital could be cut; short-term loans declined by R8m. Productivity was improved through better merchandise controls. The debt:equity ratio declined, strengthening the balance sheet, though there is still some way to go before it looks really healthy. In all, the result is a pleasing one, concluded during a tough trading period.

The after-tax profit of R9,8m posted in the year to March 1993 was boosted by a once-off tax credit of R3,8m. Had this not been included, last year's profit would have been R6m. There are encouraging signs that this figure will be comfortably exceeded in financial 1994.

But as MD Carl Jansen points out, that will depend on trading between now and the end of December. He says there are a few indications that activity during the critical third quarter, which includes Christmas, will be better than could have been expected six months ago — though even then he was shooting for a 25% rise in earnings to R7,5m. It's now looking as though this could happen. Trading through October and the first few weeks of November has picked up.

One analyst says he is surprised that the company — and the furniture trade in general — has done as well as it has considering all the adversities it faces. He believes that the furniture industry has shown strong underlying demand and, assuming the political situation does not deteriorate between now and the April elections, it could take off if the economy improves.

Perhaps now is the time to invest in furniture store shares. Morkels is prominent in its marketing strategy, if not in size, compared to its competitors. *Gerald Hirshon*

SPECIAL SURVEY
BUSINESS TOP 100

(30)
wm 3-9/12/93

We asked 100 business leaders about their hopes and fears for the new South Africa. The results may surprise you ...

What business really wants

Q Is the outlook for business improving?	Q Is nationalisation a real threat?	Q Do you support affirmative action?
Yes 87%	Yes 7%	Yes 98%
No 13%	No 92%	No 2%

SOUTH Africa's top business people are committed to staying in the country and seeing the transition through. They are overwhelmingly optimistic about the future and are eager to live, and get on with business, under a democratically elected government.

They are also showing a strong commitment to engaging with their community and contributing to black empowerment and social investment.

They do, however, fear economic mismanagement by a new government and an inability to deliver on promises.

But there are major changes in their political thinking and the way they are likely to vote. (See separate story.)

These are some of the findings of a survey of business leaders commissioned by the *Weekly Mail & Guardian*, the SA Chamber of Business and SABC's *Agenda*. The researchers conducted in-depth interviews with a wide range of business people, including a cross-section of race, gender, region, language and business sector.

The survey, conducted by the independent socio-political research agency CASE, found that only 14 percent had seriously considered emigration and four percent were contemplating it.

On the other hand, 85 percent predicted an optimistic future for their children or grandchildren. Many gave their reasons for optimism as the unleashing of the country's potential, or that "it is one of the best places in the world to live".

"Some noted that while young people would have to work harder, this would be salutary," remarks researcher Professor Mark Orkin.

Attitudes toward the transition itself seemed mostly positive. Two adjectives cropped up most frequently when business people were asked how they would describe the transition, "challenging" (34 percent) and "fascinating" (22 percent).

The word "difficult" (22 percent) was a frequent and more equivocal response. But there were notably fewer negative responses: "stressful", "traumatic" and "unpredictable" were registered at four to five percent each.

The survey reveals changes in the political opinions of senior executives, who are mostly white and English-speaking.

Most are enthusiastic about doing business under a new African National Congress-led democratic government. They also seem committed to contributing to the development of the broader community and black advancement.

Top business people were split along racial lines on the desirability of a wealth tax and to union participation in decision-making on investments.

Most whites oppose both but the black respondents were divided on the wealth tax and favoured union participation.

The respondents were asked about their biggest fear and most exciting prospect. Their four main fears were economic mismanagement by the new government (20 percent), its inability to deliver (16 percent), socialist policies (11 percent) and instability (8 percent).

What excites them are "economic growth" (21 percent), "democracy" (16 percent), "world trade" (14 percent), "peace" (nine percent), and "freedom" (nine percent).

Give us anyone ... but please, not Buthelezi

Mangosuthu Buthelezi was once the darling of business. But a year of stone-walling has lost him a key constituency.

By ANTON HARBER

BUSINESS leaders are backing Nelson Mandela for the presidency and turning away in droves from Chief Mangosuthu Buthelezi.

This is just one of the many changes in business attitudes signalled by the *Weekly Mail & Guardian* survey of the opinions of business leaders.

A surprising 68 percent named Mandela as first choice as president, and not one respondent chose Buthelezi. Thirty-two percent chose FW de Klerk, though he did much better among Afrikaans-speakers (80 percent).

Business people cited Mandela's "personal qualities and nobility" (27 percent), that he represents stability and peace (14 percent) and his statesmanship (11 percent).

They had harsh words for Buthelezi. In explaining why they did not want him as president, 36 percent cited his personality, saying he was power-hungry or irrational, 21 percent said he holds South Africa to ransom and 11 percent said he had no political base.

Asked which of these three they would least like for president, an overwhelming 89 percent said Buthelezi, seven percent said Mandela and four percent De Klerk.

Our survey also found that business leaders — white and black, male and female:

- Are eager for the April election to happen and view any possible postponement as "disastrous".
- Are willing to address the socio-economic legacy of apartheid.
- Are no longer so concerned about some of old bogeymen. Much reduced is the concern over the South African Communist Party and nationalisation; much higher is the concern over the far-rightwing and the potential for Freedom Alliance disruption of the elections.

Ninety-two percent said they are not concerned about a threat of nationalisation. Only 19 percent said they take the SACP seriously, while 68 percent said not at all; but 39 percent take the Freedom Alliance seriously and 31 percent not.

Only four percent said they viewed kwaZulu secession as a viable idea.

There is even some support for a wealth tax. Fourteen percent said there should be one (with 40 percent of these saying it should be one-off; 20 percent saying it must be discussed with business; 13 percent saying it was inevitable; and seven percent saying it should only be aimed at monied families). Twenty-three percent accepted it conditionally and 63 percent were against it.

Views were divided on corruption: 26 percent said it would increase, while 24 percent it would decrease.

Women show a united front on politics

ALL the businesswomen surveyed felt Nelson Mandela was the best choice for president. All felt the outlook for business was improving.

Businesswomen displayed more unified opinions in a number of areas than their male counterparts. All the women surveyed were optimistic about the future for their children or grandchildren, and none had considered or was considering emigrating.

Top businesswomen were more apprehensive about unbundling, at 22 percent, than the sample average of seven percent.

More women (67 percent) wanted the death penalty reintroduced than men (52 percent).

When it comes to affirmative action for women, businesswomen and businessmen do show some convergence — only narrowly in favour.

Of those who answered the question, nearly the same percentage agreed or disagreed with "special arrangements for women in senior positions" (55 percent of men and 56 percent of women in favour).

According to CASE researcher Mark Orkin, "female proponents of special measures felt that men should be more adaptable and companies should create opportunities; opponents said that women themselves felt inadequate about stepping into available senior positions — indeed, that this was a 'South African disease' — or that affirmative action measures are too expensive."

Survey continues overleaf

THE WEEKLY MAIL & GUARDIAN
December 3 to 9 1993

WM 3-9/12/93 (30)

WHAT does business really want in this crucial period in the run-up to our first democratic elections? Have their views changed? How are they likely to vote?

We commissioned the independent socio-political consultancy CASE, headed by Professor Mark Orkin, to phone a range of business leaders — men and women, black and white, Afrikaans- and English-speaking, from all the sectors and all the provinces — and solicit their views anonymously and in-depth. We planned the survey along with the SA Chamber of Business (Sacob) and SABC's TV-1.

The researchers interviewed 100 business leaders, including chief executives or divisional heads of 70 of the largest listed companies; representatives of all sectors; 25 leading unlisted companies, both local and foreign-owned; five major parastatals; including 82 whites and 18 blacks; 10 women; 72 English and 15 Afrikaans speakers.

Q Should the death penalty be applied?
Yes 53%
No 47%

Q Is a kwaZulu secession realistic?
Yes 4%
No 96%

Despite the bad times, a resilient optimism

Years of recession have not destroyed the ability of business to hope for better times ahead, reports **Reg Rumney**

MORE than four-fifths, or 87 percent, of business leaders interviewed felt the outlook for the economy was improving.

This might reflect the rise in real gross domestic product recorded in the third quarter of this year, and a change in the business mood helped along by several factors, including the inflow of foreign money into the Johannesburg Stock Exchange after the World Trade Centre agreement.

However, more than two-thirds (71 percent) of black and white correspondents felt the outlook would be even more favourable after the election — most citing the increased certainty and stability that would result, and also the new opportunities and investment that would flow after the installation of a legitimate government.

A sceptical minority worried about African National Congress policies, especially on the free market and violence.

At the National Economic Forum (NEF) business, labour and the present government have been experimenting with what could be the basis of a future social contract.

Q What is the next government's priority?
Unemployment 34%
Education 14%
Violence 13%
Housing 12%
Growth 10%

Q What should be done about the civil service?
Reduce size 20%
More productive 18%
Train up ANC 11%
Affirmative action 8%
Privatise 7%

As an indication of hope that consensus on economic policy can be reached, 81 percent of respondents think the NEF has been effective.

Nationalisation used to be a hot issue with business. No more. Only seven percent of respondents saw nationalisation as a "real threat".

Other real threats have replaced it — and ones on which blacks and whites are clearly divided.

Sixty percent of whites opposed "unbundling" as a way of undoing the concentration of economic power: 83 percent of blacks favoured it.

"Opponents argued that unbundling was futile," says CASE researcher Mark Orkin, "or would fail, or that power was not unduly concentrated in any case; proponents looked to anti-trust legislation and urged that it should be equitably applied."

Top businesswomen were more apprehensive about nationalisation (22 percent of women) than the seven percent average; they were more supportive of unbundling (80 percent) than the sample average.

Most white business people oppose a wealth tax (70 percent) with only 10 percent supporting it. Blacks support such a tax in equal proportions (33 percent for and against). The rest in both cases were undecided or felt it should be conditional.

Many of those who favoured the tax felt it should be a one-off. Many who opposed it felt it would stifle business initiative or cause emigration, or that taxes were already too high.

Business people were asked what the new government should do about the bloated civil service. The most frequent answers centred on what Orkin calls the Three Rs: reduce, retrench, retire.

"Close behind came pleas for increased efficiency (18 percent) plus some awareness of the need to include ANC people (11 percent), and implement affirmative action (eight percent). Others were dubious (12 percent) and felt that the new government would be tempted to bloat it even further, especially with ANC supporters."

Opinion was divided equally on nepotism and corruption in the new South Africa. Roughly a quarter each of the respondents thought the situation would improve (24 percent) or deteriorate (26 percent), or stay the same (27 percent). The rest felt unsure.

De Klerk supporters were likelier to expect deterioration (45 percent) than Mandela supporters (16 percent). Those who expected improvement alluded mainly to the increased "transparency" that has been demanded in recent years.

A clear willingness to help accelerate change

Business shows a new openness to such ideas as social responsibility and affirmative action, reports **Reg Rumney**

SOUTH Africa's business people are not about to discard their duty to the broader society.

The companies of 90 percent of the respondents to the survey had social responsibility programmes in operation and more than two-thirds (69 percent) expected to increase such spending.

The respondents were asked a series of questions about the challenges facing the government and where they saw their own role.

They were asked what problems facing the new government should be tackled first. Respondents viewed unemployment and job creation (34 percent) as top priorities. Behind this came education and training (14 percent), violence (13 percent) and housing (12 percent).

While economic growth came out as most important for only 10 percent, respondents were asked more detailed questions about joblessness and job creation which seem to indicate they view economic growth as the solution to the unemployment problem.

In answer to a separate question about what the future government should do about unemployment, 16 percent of respondents stressed creating an environment conducive to economic growth and investment.

Other frequent responses were in line with the various scenarios which have shaped popular thinking on economics and even the Congress of South African Trade Unions' reconstruction programme in their emphasis on public works (nine percent), housing (eight percent) and infrastructure (five percent). Yet other priorites were small business (seven percent), the informal sector (five percent) or youth projects and job creation schemes (about five percent each).

Respondents' own job creation programmes were mainly directed at promoting small business development through subcontracting and franchising (17 percent), training opportunities for retrenched workers (five percent), and bursary schemes (four percent). Only a couple mentioned labour-intensive programmes and discussion with trade unions (two percent each).

A good many seem to be doing nothing at all about increasing employment (38 percent), or were even adding to unemployment by increasing productivity (34 percent) or intensifying mechanisation (13 percent).

A separate question on violence elicited multiple likely causes.

About a tenth each mentioned competition between political parties, or economic factors such as poverty and unemployment. Another tenth of replies blamed the state in some form, whether a third force, the security forces, or the government. Around seven percent mentioned gang warfare, and only then was the confrontation between the Inkatha Freedom Party and the ANC specifically named, by five percent.

Suggestions about solving the problem tended to be conventional. Two main suggestions were helping teach democratic values by involvement in peace structures (25 percent of mentions) and creating jobs, or furthering economic growth (another 25 percent).

On the third top priority, education and training, business suggested government focus on teacher upgrading and create a single education department.

Affirmative action wins huge support

AFFIRMATIVE action for blacks is no longer regarded as anathema by companies. It is now seen as necessary for survival.

Fully 98 percent of respondents supported it, with 97 percent of their companies having embarked on an affirmative action programme.

However, affirmative action for women is not so clear cut. Fifty-five percent believe companies should make special arrangements to employ women in senior positions, while 44 percent believed not.

And women seemed as iffy about affirmative action as men were.

Those companies with less than one percent black senior managers were less likely to have an affirmative action policy for blacks (82 percent).

Blacks were more likely than whites to support these special arrangements. But women were no more likely.

Female proponents of special measures felt that men should be more adaptable and companies should create opportunities; opponents said that women themselves felt inadequate about taking up senior positions or that affirmative action for women was too expensive.

Among men, the two chief views were that appointments should be on merit and that the culture of the company would have to change for women not to feel alienated.

On average, those whose spouses work showed higher support for some kind of affirmative action for women (65 percent) than those whose spouses do not (53 percent). Only 28 percent of those interviewed had spouses in full-time employment.

Afrikaans speakers, however, were likelier to support such measures, although their wives were much less likely, on average, to be in jobs.

Reg Rumney

(30) WM 3-9/12/93

SPECIAL SURVEY
BUSINESS TOP 100

Q Have you ever considered emigrating?
Yes 14%
No 86%

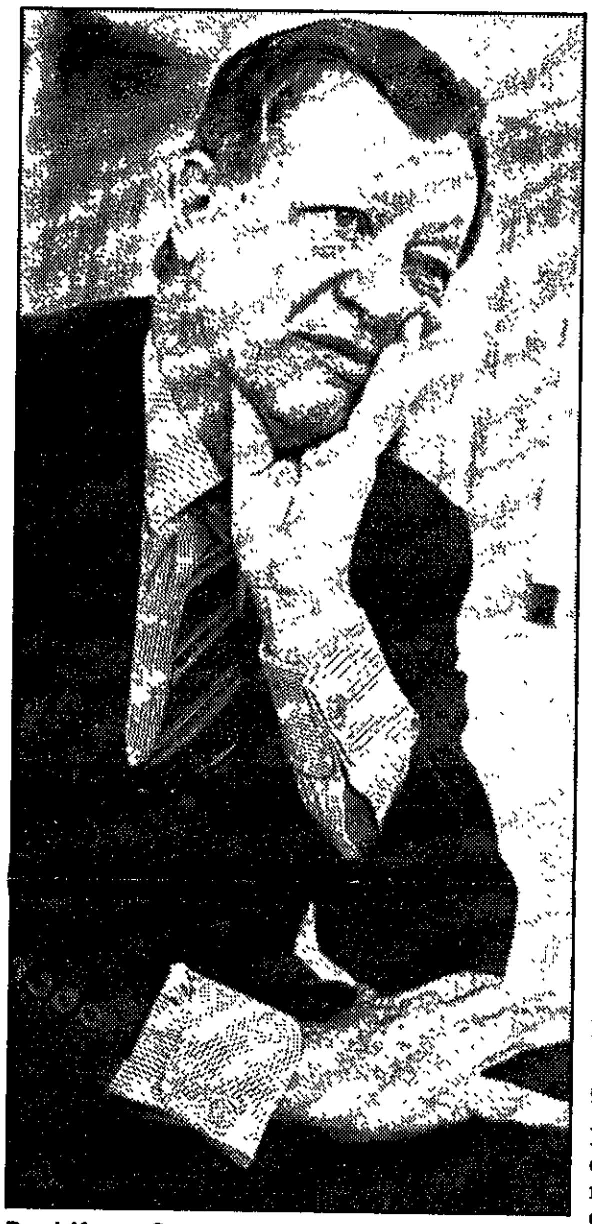
Q What kind of future do your children have?
Optimistic 85%
Pessimistic 13%

Q Should unions play a role in retrenchment?
Yes 96%
No 4%

Q Should unions have a say in investments?
Yes 25%
No 75%

Q Who should be minister of finance?
Keys 89%
Manuel 4%

Keys tops the popularity polls



Derek Keys ... Supported by half the black respondents

Derek Keys manages the rare double act of being a finance minister and being popular ... at the same time. By **Reg Rumney**

DEREK KEYS should stay on as finance minister in the new government, according to 89 percent of the business people surveyed.

The general feeling, according to the survey, was "he's doing a great job"; and is "a businessman who knows what the business community wants". Half the black businessmen surveyed supported him.

African National Congress Department of Economic Planning head Trevor Manuel was the only other name mentioned, by four of the hundred respondents, three of them black.

But around 30 percent of Keys' supporters felt Manuel should be his deputy, and a further 10 percent, although they preferred Keys, thought he was "good".

The prospect of former Congress of South African Trade Unions secretary general Jay Naidoo sitting in the same cabinet as Keys and Manuel made some respondents disconcerted. But 47 percent of those who answered felt positive about his becoming a minister, citing his evident ability, and using words like "talented", "articulate", and "astute".

Among English-language and African-language speakers 52 and 56 percent respectively welcomed the idea, with only 27 percent of Afrikaans speakers favouring it.

Only about a quarter were actively hostile, but their comments were the most colourful of the whole survey, with one remark being that Naidoo "looks like the devil", and another commenting, "Horrors!"

Survey director Professor Mark Orkin suggests the positive reaction to someone who obviously stirs strong emotions suggests it indicates a realistic anticipation by thoughtful business people to the future.

Q What do you most fear from an ANC government?
Bungling 20%
Can't deliver 16%
Socialism 11%
Violence 8%
No fears 6%

Q What do you most hope for from an ANC government?
Growth 21%
Democracy 16%
World trade 14%
Peace 9%
Olympics 2%

Q What do you think of Jay Naidoo as a cabinet minister?
Positive 47%
Negative 27%
Mixed feelings 25%

Still the old unease about union muscle

WHILE the survey shows the National Economic Forum in a flattering light, business still puts limits on labour's role in business.

Around 94 percent of respondents granted that unions should play a role during retrenchment exercises. However, three quarters of respondents were opposed to unions having a say in investment decisions.

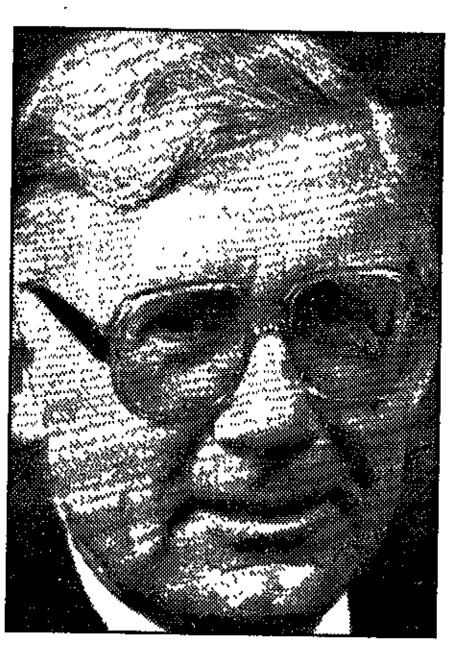
Opposition was highest among Afrikaans-speakers, at 87 percent.

Among white respondents the higher the proportion of black senior managers in their companies, the greater the proportion or respondents supporting union involvement in investment decisions.

Only among black business people was a majority (60 percent) in favour.

On strikes and lockouts, the most popular view (28 percent) was that one is quid pro quo for the other; or that such actions are the province of labour law, which in South Africa they considered to be quite advanced, rather than a Bill of Rights (11 percent).

A small number of replies emphasised that confrontation was unnecessary and arose from misunderstanding of the relevant clauses in legislation debated at Kempton Park (four percent). Another small group (five percent) argued that lockouts were inhumane.



Least favourite ... George Bartlettt

Business does seem to agree with labour on one thing — the fuel price fiasco.

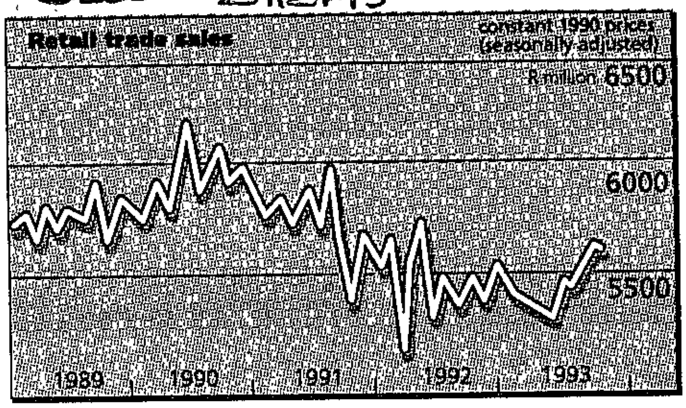
Almost all respondents agreed it was a lesson in how not to proceed. "Badly handled," "a shambles", "unnecessary", "lack of control", "(Energy Minister George) Bartlett should have resigned", "arrogant" and "dishonest" accounted for 68 percent of the replies.

Profitable Christmas expected

Retailers smile as sales surge

Star 2/12/93

REDUCTION in mortgage interest rates, higher gold price, and good rains cited as reasons for buoyancy



BY DEREK TOMMEY

Shopkeepers are happier than they have been for several years.

(30)

Retail sales — especially on credit — are much higher than expected and shopkeepers are looking for their most profitable Christmas in years.

In mid-November, the 100 top retail groups told the Central Statistical Service that they expected the month's sales to be around 12 percent higher than in the same month last year.

Last night the heads of several groups confirmed that the 12 percent sales increase had been achieved in many areas, especially in textiles, and to a lesser extent in furniture.

Food sales have also shown a bigger-than-expected increase.

Sid Muller, MD of Woolworths, said textile sales were more than 12 percent higher in November.

He attributed the improvement to better public sentiment and a tight rein on prices.

Terry Weyer, planning director of Foschini, also saw a strong rise in sales.

He said the 12 percent figure forecast by retailers was well within the group's experience.

Hymie Sibul, chief executive of Prefcor, said for the past month there had been a spring in the public's step.

Prefcor operates 235 stores in the Beare's, Game and Bee Gee stores group.

November ended with textile sales up more than 12 percent on last year's figure. Furniture sales were up 12 percent.

Most purchases were being made on credit, he said. But collections were spot on, which provided grounds for confidence.

Gareth Ackerman, joint MD of Pick 'n Pay, said November sales had been better than expected, with a six percent increase in turnover.

The public was going for basics and seeking value for money, buying simple toys and not electronic ones.

A special line of Christmas gifts costing less than R20 was selling well.

Factors cited for the improvement in retail sales included the reductions in interest rates on mortgages, which had helped house buyers; the upsurge in the gold price, which had restored confidence in the gold mining industry and made people more willing to spend; and the good rains, which had put the agricultural sector back on its feet.

Shopkeepers jump for joy as retail sales spurt

ARG 2/12/93 (30)

Business Staff

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ay, December 1 1993

Interest and tax squeeze Clicks

BIDay 1/12/93

MARCIA KLEIN

TOILETRIES, household goods and music group Clicks' interim earnings to end-October reflected the effect of poor trading conditions, a switch to interest payments and a restated tax rate in the previous year.

In what CE Trevor Honeysett described as the most difficult trading conditions the group had experienced, earnings a share dropped 9,9% to 4,8c (5,33c) after taking into account the restatement of the previous year's tax figure. Against the reported previous year earnings of 4,54c, earnings increased 5,7%.

Honeysett said the tax rate was higher in the previous interim period than that which was applied for the full financial 1993 year. To allow for meaningful comparison, figures for the previous interim period have been restated to reflect the tax rate for the full year to end-April 1993.

The group, whose retail chains include Clicks, Diskom and Musica, reported 11,9% turnover growth to R477,1m (R426,4m). Honeysett said this was the first time that group turnover had not met budget.

He had warned in September that there were indications of disappointing first-half trading. Although the volume of customers was higher, "basket spends" were down as consumers tightened their belts.

Margins were under pressure, and operating income rose 4,9% to R21,5m (R20,5m).

Clicks moved into interest payments of R2,6m against R506 000 interest received in the previous year on surplus cash arising from a rights issue. This move resulted in a 10,1% decline in pre-tax income to R18,9m from R21m.

Net attributable income was 9,9% lower at R10,9m (R12,1m). The interim dividend was maintained at 1,9c a share.

(30)

Honeysett said all the chains had performed similarly. Generally, retail chains were under a huge amount of pressure. Although there were some signs of the beginning of an upturn, this would take some time to kick through, he said.

Results were obviously not as good as the group would have wanted but there was a big interest differential, and the treatment of taxation had affected the bottom line.

He said capex during the period saw Clicks complete the R20m distribution centre which came on stream in August. Capex also included scanning systems, major extensions to some stores, and new store growth, with four Clicks stores, six Diskoms and 14 Musicas added.

The group was continuing its new store programme, which will see a total of 340 stores by year-end — 148 Clicks, 107 Diskom and 85 Musica stores.

The first six months was historically the less active trading period. Results for the full year "would depend largely on the group's performance over the Christmas period and the state of consumer confidence over the next six months". Honeysett said he would like to see an earnings improvement in the full year.

Star 1/12/93

Clicks disappoints

By STEPHEN CRANSTON

It was a disappointing half-year for the Clicks group, which comprises the Clicks, Diskom and Musica retail chains.

Pre-tax profit was down 10,1percent to R18,9 million in the six months to October.

Restatement

Earnings per share increased by 5,7 percent to 4,8c, but after taking into account a restatement of the previous year's tax figure, earnings per share fell by 9,9 percent.

The interim dividend is unchanged at 19c.

Group turnover increased by 11,9 percent to R477 million.

CE Trevor Honneysett says that it is the first time that group turnover has not met budget.

"We saw the initial indications of a disappointing first-half trading, which we reported at our AGM in September," he says.

30

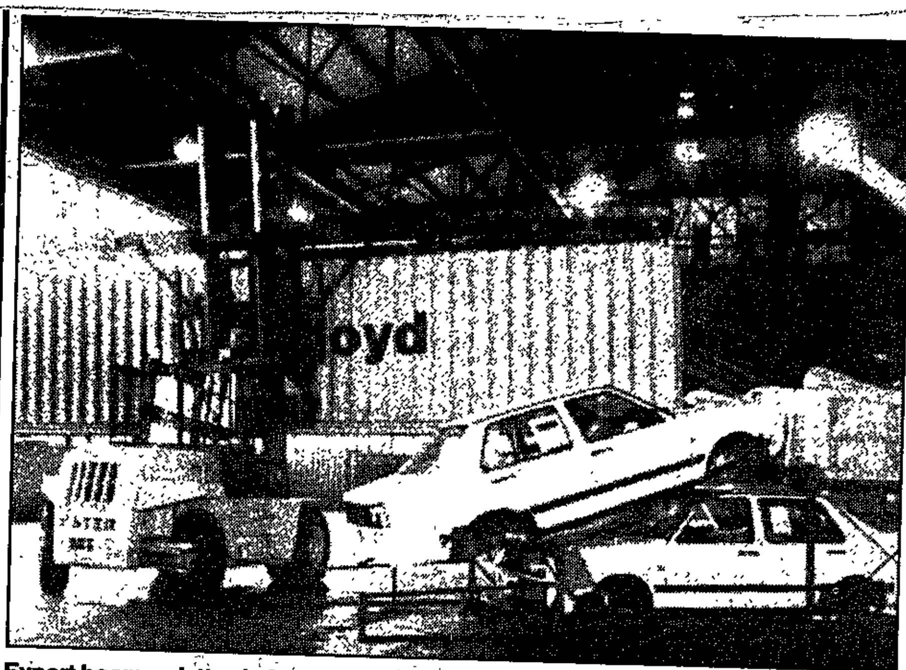
A larger number of customers went through the group's tills, but the value of each basket was down — a sure sign of consumer belt-tightening.

There was heavy capital expenditure during the period, including R20 million on the new Montague Gardens, Cape Town distribution centre.

Scanning

A further R15 million was spent on the introduction of scanning in all Western Cape Clicks stores.

A major extension of the Cape Town group stores support centre was started and four Clicks stores, six Diskoms and 14 Musicas were opened.



Export boom ... Jettas being loaded for the journey to China

Capital investment deals boost E Cape

(30)

WM8-14/10/98

A spate of big export contracts and development deals have made the business mood in the Eastern Cape much more upbeat, reports **Beverley Garson**

BUSINESS confidence in the Eastern Cape is on the upswing as millions of rands are pumped into the regional economy through export and development deals.

Export deals by Volkswagen are taking the lead, with executive director Peter Searle announcing last week that his company has exported more than R1-billion worth of components as semi-knocked down vehicles to China.

Mercedes-Benz, a major player in the region, has just clinched a R1-million deal to export catalytic converters to Honda in Thailand.

Other development projects being initiated include the Bay Waterfront development in Port Elizabeth, worth R50-million; the three-year contracts won by Autonet for a total of R100-million; Latimers Land Harbour in East London, worth R6-million for the first phase; rebuilding of Karoo roads, worth R26-million; and two export deals by ACS manufacturing and SA Bottling, worth R24-million and R20-million respectively.

This capital investment has raised hopes that there could be an early recovery of the depleted economies of the Border and Eastern Cape regions.

University of Port Elizabeth economics professor Charles Waite said the investments "can only benefit the economy".

The Eastern Cape and Border presently have to cope with the highest unemployment rates in South Africa.

However, despte the high levels of unemployment and poverty in the regions, they have been relatively free of violence. This can be related to the fact that the region is an African National Congress stronghold and that regional political players are working closely on numerous regional development projects.

One of these is the Regional Economic Development Forum. All major political role players, including civics, labour and the business sector form part of the forum.

The forum aims to create a regional "climate" to increase economic activity and employment. Forum co-ordinator Valence Watson believes all the present investment is as a direct result of the forum.

All the developments indicate the growing confidence by the business sector in the region, he said. He feels the region's stability has created this confidence.

Waite believes this new surge of investment is psychologically good for the region. "It creates a positive atmosphere. If people are thinking positive, it is good for business confidence," he said.

Waite said the Volkswagen contract is important to the region and that the Bay Waterfront development, in the short term, will mean further revenue and, in the long term, attract tourists.

Not only will these investments bring revenue to the region, he said, but they will also create much-needed job opportunities and alleviate unemployment.

Watson agreed with this view and said he believed the business commitment to the region was very important. — Ecna

Radical industrial policy advocated

Star 1/10/93

BY MICHAEL CHESTER

The SA Chamber of Business yesterday proposed the launch of bold new initiatives aimed at radically reshaping industrial strategies to increase the economic tempo and the pace of job creation.

Sacob president Spencer Sterling unveiled the outline of proposals to tackle the mammoth task via a special industrial policy forum that should operate under the wing of the National Economic Forum. (30)

He told a news conference in Johannesburg it was vital to jettison out-moded strategies in order to begin the wholesale reconstruction of the manufacturing sector to make it more competitive in international terms.

Sterling stressed that the outline was intended as a dis cussion document that needed debate and consensus to ensure full impact, which required the participation of not only the private business sector and the government, but also the trade unions and technology experts.

Political transition, he said, provided an ideal opportunity to set new short- and longer-term objectives to make the industrial sector more competitive on world markets.

That would accelerate the economic motors and, in turn, bring higher living standards for the entire population.

South Africa needed to heed the lessons spelled out by the emergence of an increasing number of Far East economic tigers, which had started way behind SA little more than a decade ago, but were racing ahead at formidable speed.

Sterling said huge mistakes had been made with out-dated policies that had been enforced by former political regimes.

Industry now had to plan ahead to anticipate the gradual loss of protection behind barriers erected to safeguard the inefficient — and an end to government concessions and incentive packages.

Companies had to compete on equal terms with overseas rivals if they hoped to survive, he said.

NEWS

Non-partisan guide for first-time voters

Business tackles election education

Star 30/9/93

30

BY MICHAEL CHESTER

A PACKAGE to explain to employees the importance of taking part in next year's poll has been launched by Sacob

The SA Chamber of Business last night launched a special voter education programme intended to give simple guidelines to thousands of black workers who will be entering polling booths for the first time on general election day, April 27.

Among an audience at a preview of the programme — in a test of political neutrality — was ANC national chairman Thabo Mbeki.

The voter education package, called "Let's Vote", was unveiled at the Sacob annual banquet in Johannesburg, at which Mbeki joined business leaders as principal guest speaker.

In the form of a 12-minute video documentary plus pamphlets, the package will be circulated among a nationwide network of more than 40 000 companies.

"It will also be made available to everyone pledged to the genuine success of the first free and fair nonracial election ever seen in South Africa," said Sacob deputy director-general Ron Haywood.

"The business world as a whole is anxious to take a neutral stance and leave it to employees at all levels to make their own choice of the political party they decide to support.

"But we decided it was a clear responsibility of employers, as part of their affirmative action initiatives, to provide non-partisan guidelines on how to understand the significance of the April 27 election."

Mbeki confirmed last night that the Organisation of African Unity had joined the international move to lift sanctions against South Africa. (Sapa)

Mbeki said that the next priority should be to plug the loopholes that were allowing the massive drain of millions of rands out of the country.

He appealed to businesses to co-operate in ensuring that loopholes in exchange controls were plugged and emphasised that it was vital that the lifting of political apartheid must be accompanied by an end to economic apartheid.

Haywood said the objective of the programme was not to tilt voting one way or another, but to show voters the simplicity of casting votes — in total confidentiality and protected from any sort of intimidation or outside influence.

The videos and pamphlets, he said, would be available in all five main languages — English, Afrikaans, Xhosa, Zulu and North Sotho. Distribution would start next week.

Star 30/9/93

Coloureds, Asians back NP – poll

The National Party is the favoured party among coloureds and Asians, securing a 46 percent and 39 percent vote respectively, a Markinor research group has found.

The African National Congress came in second strongest, mustering 16 percent of first votes by coloureds and 17 percent among Asians. (Sapa)

The findings emanate from a Gallup poll on socio-political and economic trends conducted among 400 coloureds and 400 Asians in metropolitan areas in July this year.

In a similar survey of whites and blacks, whites gave the NP a 43 percent first choice vote, and blacks gave 3 percent.

The ANC received 2 percent of the whites' first vote and 68 percent of blacks' vote.

The Inkatha Freedom Party received a 1 percent vote among both coloureds and Asians.

The research showed President de Klerk to be more popular than his National Party among coloureds — 78 percent said he was a good leader.

ANC president Nelson Mandela scored 70 percent of black votes and 14 percent among coloureds and Asians. — Sapa.

KWAN SEE passed away on

Southern to finance Nyanga retail centre

Property Editor (30)

SOUTHERN Life is to finance the R30m shopping centre to be built at Nyanga railway station, according to property investment manager Chris Hyland.

Hyland said they were currently developing a financial mechanism whereby the community would be able to take up a substantial stake in the development. CT 18/9/93

"We are exploring the possibility of a trust fund or a shareblock scheme. Other options are also being considered, including drawing in trade union pension or provident funds."

He said the development would take about 11 months and they were also looking at a system whereby investors could pay off on a monthly basis during this period so that by the time of completion they had built up a unit.

The financial structure, he said, should be finalised within a month. The centre is scheduled for completion by July 1994.

Thebe textbook deal sealed

CT29/7/93

Own Correspondent

JOHANNESBURG. — ANC-linked Thebe Investment Corporation yesterday announced its entry into South Africa's R800m-a-year educational book publishing market.

Thebe managing director Mr Vusi Khanyile said Thebe was linking with international publisher Macmillan and local publisher Skotaville on terms giving Thebe 42,5% of a new company called Nolwazi Educational Publishers. Macmillan will have 47,5% and Skotaville 10%.

The shares have a nominal value of 50c each and Macmillan is providing R2m to assist Nolwazi's start-up. The company's formation marks Macmillan's return to South Africa and puts it up against five local competitors in the school textbook field.

30

Spokesmen said they wanted the new company to break with the tradition of the government awarding textbook contracts as a political favour. As a black-run company practising affirmative action, and with its ANC links, it's expected to be well placed to tender for a new government's schoolbook needs.

Wesgro assists 25 firms relocate

Business Staff

WESGRO helped 25 businesses locate to the Cape in the financial year under review, creating 236 jobs, and was currently working with 34 companies considering investing in the region, said the directors in its annual report for the year to June.

It also pointed out that R24,8m had been generated in this manner and adds that "Wesgro has been struck by the large number of investment enquiries which we have received and the great size and importance of these investments".

(30) CT 29/9/93

Companies that have moved here recently include UK-based B-Loony which manufactures promotional balloons, Belgium-based Entrepreneur Bertrand Bernard which made a substantial investment in the local fishing industry, and German company HLT Laminierungstechnik, which has opened a new factory for laminating equipment.

JD Group tidying up acquisition Rusfurn

B/Day 27/9/93

MARCIA KLEIN

THERE had been no unpleasant surprises for furniture retailer JD Group after it took management control of its troubled competitor Rusfurn, executive chairman David Sussman said last week.

In August, JD Group — which owns Joshua Doore, Price & Pride, Bradlows and Score — announced it would acquire the Rusfurn group in a R85m deal settled by the issue of shares.

It would then "onsell" Rusfurn subsidiary Dion to Wooltru subsidiary Massmart for R90,1m cash, and raise R75m in a rights offer to recapitalise the business. The proceeds of the rights issue would be advanced to Rusfurn as a subordinated loan.

Since JD Group gained control of Rusfurn, head office has been rationalised and Rusfurn has continued cleaning up its debtors' book, arrears and write-offs.

In every instance, arrears and bad debts were continuing to come down, Sussman said at a briefing for analysts.

He said Rusfurn's management had been positive towards the acquisition, as the group was once again being placed in the hands of furniture retailers. Many of Rusfurn's top people had been retained.

Sussman said the acquisition of Rusfurn — whose major stores are Russells, Rudicks, Giddy's, Das Haus, Harmony, Montana, Wanda Frasers and Style & Value — meant JD Group could obtain control of R900m of assets for just R85m.

The deal more than doubled the size of JD Group, positioned it as market leader in furniture retailing, and provided significant reorganisation benefits. Rusfurn also had a high turnaround potential. The new enlarged group had over 500 branches.

The acquisition moreover enabled JD Group to improve the geographic diversification of its branch network from its urban PWV bias.

(30)

The enlarged JD Group had turnover of R1,6bn, and a total market share of 25%. At the December year-end prior to the acquisition, JD Group's turnover was R457,3m, including cash sales. The major contributor to the new group's turnover would be Russells, followed by JD companies Joshua Doore, Bradlows and Score.

The new group's immediate priorities would be to maintain the momentum of its business units, turn Wanda Frasers around, reduce overheads, manage the integration of its service departments, and "avoid the trap of bureaucracy".

Sussman said recently the group would also focus on improving stockturn and margins, and work more closely with suppliers. Synergies would result in enormous cost-saving benefits.

Medium term, it aimed to position its business units to complement one another, and build strong brands. It also aimed to move into Africa north of the Limpopo.

Commenting on the furniture industry, Sussman said the household durables market was set for a period of rapid growth.

Inhibiting factors were falling away, he said. The "punishing luxury item surcharge rates" had been dropped, and debtors' financing was being taken over by the banks.

The Argus retail conference

Cost of living higher for poor

(30)
ARG 25/9/93

Picture: HANNES THIART, Weekend Argus

□ **COMMERCIAL TALK:** Delegates at The Argus retailing conference in Cape Town this week.

■ Periodic markets should be created in rural areas as most South Africans are out of the effective reach of services.

ALIDE DASNOIS
Business Staff

THE creation of periodic markets in villages, small towns and townships would help to correct distortions caused by apartheid, said Earth Africa director Norman Reynolds.

There were two distinct economies in South Africa, Mr Reynolds told delegates to The Argus retail conference this week.

"One, to which most of the people here belong, offers efficiency, diversity, economies of scale but has high entry costs. The other has high unit costs and little diversity and leaks cash back to the developed economy."

The decline of the rural areas had forced people to buy in the developed economy, often travelling great distances, or to pay higher prices at local shops. "The cost of living is in fact higher for the poor."

In some districts of Lebowa, where 800 000 people lived, there was no bank. People had to make a 100km round trip to bank their pensions, said Mr Reynolds. "Yet the average income per family in this area is R500 a month — and 87 percent of families earn no income at all."

Most South Africans lived beyond the effective reach of services, he said.

Traditionally the "smous" or travelling trader had operated in time and space. But apartheid had forced black traders to buy buildings, raising their overhead costs and trapping them into tiny markets.

Both government and business tended to think in static terms, with buildings — clinics, offices and shops — open and used five days a week. "This is a South African weakness born of past controls and of neat and tidy arrangements (everyone in his or her place), like apartheid."

"In general one does not need to visit the post office or see the agricultural officer every day. Once a week in the nearby market, and on other days in neighbouring markets or in the town, is enough."

Periodic markets in the rural areas would provide people with a place to sell as well as to buy and would reduce the leakage of cash back to the towns.

Unit costs of goods and services would be reduced.

Instead of, say, 2 000 people present every day of the week — too few to make the provision of services profitable — or spending only R2 a day — too little to justify a specialist shop — the demand for the goods and services could be concentrated on one day a week.

"The challenge of the future will be the integration of economic space", said Mr Reynolds.

"We must reintroduce time to space, by creating a point in space where people congregate, like the old medieval market."

Reach out to the growing market of the future, retailers are urged

(30) ARG 25/9/93

BLACK South Africans will make up 80 percent of the population in the year 2011 and retailers should be reaching out to this expanding market, says Markinor MD Sue Grant.

In 1991, every 100 economically active blacks supported 80 dependents. This figure was likely to fall to 58 in the year 2011 as black living standards improved. But glaring inequalities in income distribution were likely to persist for some time.

Speaking at The Argus retail conference in Cape Town, she said 80 percent of black households earned less than R1 400 a month while 80 percent of white households earned R2 500 or more.

Retailers should not underestimate the power of the informal sector, said Ms Grant. In 1991 this sector contributed 17 percent of the gross domestic product.

The biggest category in the informal sector was hawking, which employed 965 000 people in 1990, earning an average of R422 a month. Transport was the highest-earning category, employing 161 000 people earning an average of R1 801 a month.

The craft sector (603 000 people) had an average income of R609 a month while 164 000 people scraped a living (R104 a month) from scavenging.

Black South Africans accounted for 49 percent of food sales, 58 percent of non-edible groceries and 49 percent of household furniture. Blacks also dominated the market in alcoholic and non-alcoholic drinks, cigarettes, footwear, clothing and textiles.

White consumers dominated in domestic appliances (56 percent), pharmaceuticals (63 percent), reading matter (69 percent) and sports and entertainment (69 percent).

Chainstore obeys order

Sowetan 24/9/93

PICK 'N PAY has stopped selling discounted petrol at its Durban outlets after receiving an urgent instruction from Mineral and Energy Affairs Minister Mr George Bartlett yesterday.

Bartlett said he was acting on a directive from President FW de Klerk and the Cabinet.

30

Pick 'n Pay chairman Mr Raymond Ackerman said the company had decided to heed the instruction immediately, although he did not agree with it and would go ahead with a court application to test the validity of the prohibition. — *Sapa.*

NEWS Rescheduling of exams deciding today ● Youths want State to bury victims

Date day for matrics

Sowetan 24/9/93

By Glenn McKenzie

TODAY is a day of reckoning for thousands of matriculation students waiting to hear when they will write exams.

Minister of Education and Training Mr Sam de Beer is scheduled to announce today if matric exams will be held on October 19 as scheduled, or if they will be postponed to a later date.

Many groups including the National Education Coordinating Committee and Azanian Students Congress have called for a delay to prepare students who have lost school days due to strikes and violence in areas like the East Rand.

Azasco condemned the DET for "failing to adequately address the problems in black education".

Azasco project manager Mr Tsietsi Lepota said: "We feel that the DET should delay exams, but the question of when to hold them is open to debate.

"Exams should be marked by December and January so students can apply to universities, colleges and technikons."

Lepota said that Azasco will be debating the issue of exams and education with parents and teachers on Sunday at 2pm at Vista University.

In the past few months DET officials have consulted various groups on the exam question.

According to DET deputy director-general Dr Dirk Meiring, the department has received "mixed" recommendations.

"Initially, many advisers strongly insisted that the examinations should be run according to schedule," said Meiring.

"Other parties were adamant that there should be a postponement, but they differed as to the length of the postponement," he continued.

The DET spokesman said earlier this week that an exam delay of four weeks would mean 13 000 teachers would have to sacrifice their holidays. Another 9 000 teachers would need to live away from their homes over this period.

Normal schooling in most townships was disrupted by various factors this year.

Shortly after the year began, students embarked on protest action against exam fees which were later suspended by the DET.

Thereafter, Sadtu members embarked on a strike to demand, among other things, a "living wage".

24 buried in Tokoza

THE last 24 bodies of 40 unidentified victims of East Rand township violence were buried in Tokoza yesterday morning after the disruption of the service by youths.

Tensions had eased at the Tokoza cemetery at the completion of the burial service, conducted by three South African Council of Churches clergymen.

Earlier in the morning, a group of township youths ordered the clergymen, who had up to then buried 16 charred, unrecognisable bodies, to halt the proceedings.

The youths claimed that the 40 bodies were those of hostel dwellers who had been burnt by township residents, and demanded that they be buried by the Government — not the South African Council of Churches. — *Sapa.*

Chainstore obeys order

Sowetan 24/9/93

PICK 'N PAY has stopped selling discounted petrol at its Durban outlets after receiving an urgent instruction from Mineral and Energy Affairs Minister Mr George Bartlett yesterday.

Bartlett said he was acting on a directive from President FW de Klerk and the Cabinet.

Pick 'n Pay chairman Mr Raymond Ackerman said the company had decided to heed the instruction immediately, although he did not agree with it and would go ahead with a court application to test the validity of the prohibition. — *Sapa.*

BRIBING ME IS NOT GOING TO HELP YOU PASS

W Cape the choice for retailers

(30) CT 24/9/93

By MAGGIE ROWLEY
Property Editor

A TOTAL of 51 of the country's top companies are based in the Western Cape, an analysis of Financial Mail's 1993 Top 300 Industrial Companies by Anglo American Property Services (Ampros) shows.

This is four more than the previous year and does not account for any relocations of head offices. It points to the better performance of Cape companies, says Ampros.

The Western Cape region as a whole remains the preferred choice for retailers and wholesalers, accounting for 42% of the national total followed by clothing, footwear and textiles (38%), investment (33%) and tobacco and match (33%).

According to Ampros, two features explain the region's strong performance — it is not vulnerable to mining and it has a solid base in government and financial institutions.

Geographic and climatic factors have also stimulated a wide range of production sectors focusing on local and export markets which is reflected in the food sector (27%) and fishing (25%).

Transvaal dominance

The analysis shows that in provincial terms, the Transvaal continues to exert a powerful dominance with 210 of the 300 companies against 57 for the Cape Province, 26 for Natal and seven in other areas.

The greater Johannesburg region which includes the CBD, its periphery and Braamfontein remains a hub of big business being home to 68 of the top 300 companies and 13 of the Top 50 companies.

Head offices include 75% of the country's print and publishing companies and 38% of the industrials listed under the paper and packaging sector on the JSE.

Other sectors dominant in the greater Johannesburg area include industrial holdings (29%) and engineering (27%).

Strong concentrations of head offices are also found in Sandton where 47 of the top 300 companies are located, Randburg (7), East Rand (36), Midrand (7), Pretoria and Verwoerdburg (8), Eastern Cape (6).

FOSCHINI

FM 24/9/93

Tailored for continuing success

Rand-hedge element helps to maintain the premium

(30)

Greater earnings growth is expected from Foschini than from any other listed retail stock. That, at any rate, is what its p:e ratio indicates. Most analysts believe its earning multiple of 26,6 excessive. Equally, based on profit history, they concede the share is worth a premium relative to most retailers.

This p:e is well ahead of second-placed Clicks (23,2) and its closest rival, Edgars (22,7). It was not always that way. In 1988, Foschini and Edgars had a p:e of 11,2, sixth in the sector. Way ahead were Cashbuild (17,9), Shield (14,4 — now part of Wooltru) and Pick 'n Pay (13).

Clicks' subsequent rerating meant an enormous share price rise. In July 1988 it was 850c; this June it peaked at R74. That's a rise of 770% in five years, or 54% annual compound appreciation.

Though Foschini's EPS growth is outstanding, it does not compare with that rate of increase. Does Foschini justify its rating?

MD Clive Hirschsohn feels it does. He reckons shareholders are getting a good return from a low-risk business. Returns are good, he says, not only by local but by international standards. On margin criteria, he places Foschini in the top 10% of major retailers worldwide. "We're better than all our competitors, including Edgars and Truworths," he says.

Chairman Stanley Lewis has always been secretive about activities — one reason Foschini remained underrated for most of the Eighties. Hirschsohn is in a similar mould but did discuss some factors he feels are responsible for the success.

Lewis

Management continues to spend heavily on keeping abreast of information technology. Hirschsohn says it's not only a matter of obtaining relevant information; what really counts is how it is used. He feels this allows Foschini, year after year, to produce efficiencies that maintain the trading margin at about 18%. "We're not squeezing productivity to show better results," he says. "Rather, we're getting a dividend from our investment in info technology."

Until recently, the buying, manufacturing, distribution and merchandising benefits of Foschini's information bank mostly affected the largest of its businesses, the 306-store Foschini fashion chain.

Markhams, the men's clothing chain with 106 stores, is not far behind. But Hirschsohn says Pages, with 153 branches, and American Swiss (149) have some way to go. Systems are in place, but there is much learning to be done. Sterns, acquired recently, has not even started. So he contends that substantial productivity improvement as well as floorspace expansion lie ahead.

Most sales are on credit — a rule of thumb is 80% credit and 20% cash. American Swiss has some HP business over six, 12 or 18 months, but most sales agreements are conventional credit contracts.

The typical Foschini or American Swiss customer is aged 18-35, in the B-C income groups. Segmenting consumers for marketing and information purposes is important, though no distinction is made among races. About half are now white, 28% coloured or Indian and 22% black. Within five years it's expected that 35% will be black, 25% coloured and 40% white.

Markhams' customers' age profile is similar but incomes spill over into the A category. Hirschsohn says the racial sales split is a third in each category simply because expansion has been in shopping centres which don't attract much black trade. Within five years Markhams will move into rural areas and customers will then be 40%-42% black, 30% coloured and 28%-30% white.

Hirschsohn says this information is

FM 24/9/93

(30)

gleaned from 1,6m debtors' accounts, administered centrally across the chains. Average life of the Foschini and Markhams book is roughly 3,5 months. In American Swiss it's slightly less, but on HP it's about eight months; in Pages, it's about four months.

Extensive investigations to improve credit marketing were recently completed. Markhams is pioneering a new system developed as a result. Credit is granted not only on the usual criteria but a decision — and terms — also depend now on the behaviour pattern apparent in an applicant's details.

The debtors' book of R414m is unencumbered. Collection rate — surprisingly, considering the economy — has improved marginally in the past few months. But perhaps the most remarkable aspect of the group throughout its history of more than 50 years is that all growth has been internally funded without financial strain.

Even after 1991's R131m acquisition of 35,3% of Oceana Plc, debt:equity, usually about 0,30, did not exceed 0,54. Net interest-bearing debt peaked at the March 1992 year-end at R190m, less than half current debtors. It's now down to 0,34, and should fall much lower while the policy of paying only scrip dividends contines.

Etam has been a boon in one direction and a frustrating disappointment in another. Bought at an average £1,80 a share, it now trades at £2,70, good capital appreciation. However, Etam, using the rules of the LSE, has effectively blocked Lewis from buying the 15% needed for control for the next 14 years. Lewis is not even represented on the board, which considered his bid hostile.

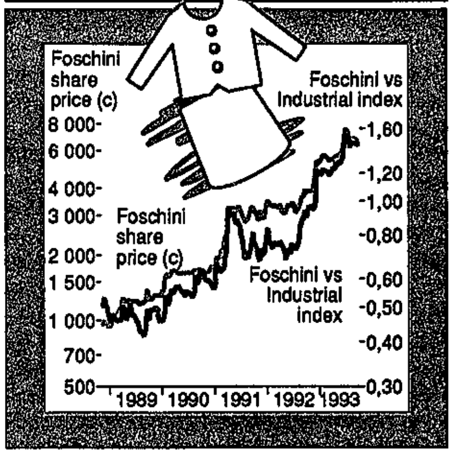
Lewis foresaw considerable synergy between Etam and Foschini. But it has not been forthcoming. Hirschsohn says the benefits of total co-operation would be "significant and substantial" but agrees it does not make sense to sit on an investment like that if no control can be exercised. He expects developments that will break the impasse in the next 12-18 months — one way or the other.

Meanwhile, Foschini has to make do with dividends from Oceana. With the rand depreciating rapidly against hard currencies, that is a further benefit from the investment.

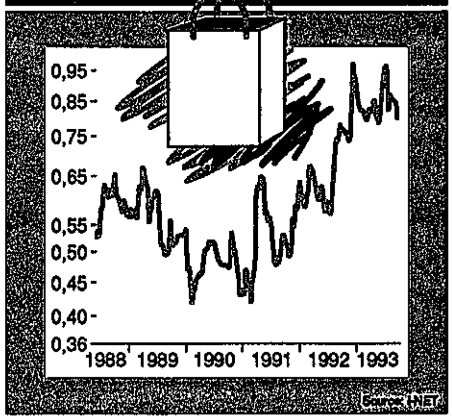
Local potential seems large, even without further acquisitions. Hirschsohn says management is not looking for businesses but if one came its way and made sense, it would not be rejected. However, if it were outside clothing and jewellery, it would need highly capable top management or would not be seriously considered.

Taking the lead

Foschini and Industrial index



Foschini vs Edgars



Foschini will continue to expand by about three stores a year — about 2%-2,5% of its trading space. That indicates real growth, but profit growth will come largely from efficiencies generated by information technology. Markhams, says Hirschsohn, could continue to open another 10-12 stores, about 6%-7% of its space, for three or four years.

Pages is thought to have the best potential. It was held back for a long time until its structure, strategy, formula, systems and people were in place. It is not in the western Cape or Namibia, for example, and could expand swiftly into these areas with 30-40 stores if necessary. It is also not in most of the city centres and there are another 40-50 hinterland towns in which to open.

American Swiss also has large expansion potential through jewellery boutique stands in Pages and Markhams. There are now 40 in Pages; there will be 60-80 by next August. Markhams will have about the same number. American Swiss also plans to open about 12 new free-standing stores a year.

Hirschsohn says top management tends to be harshly critical of performance. Yet there is a highly supportive environment, in which each division freely disseminates information to the others. There appears to be a culture of co-operation throughout, almost free from internal politics. "It adds up to an easy environment for retaining focus on our objectives, and it really works," he says.

The group is now producing real growth in sales/m². In Foschini, Markhams and Pages operating profit is growing similarly but margin has been under pressure in the first four months. Jewellery is marginally up but average sales price has dropped because top-end merchandise is hardly moving. "It has gone for a hard smack," says Hirschsohn.

Compound annual EPS growth for the past five years was 25,6% against Edgars' 20,8%. Other arch rival Specialty Retail Group, which includes Truworths and Topics, is part of Wooltru and not listed, so comparative figures are not available.

On compound EPS growth, Foschini does merit a premium rating. But in 1993 Edgars did better in returns on capital employed and shareholders' funds.

Foschini's first important rerating in 1990-1991 did not occur in isolation. Between July 1990-July 1991, Clicks moved from a p:e of 13,3 to 21; Edgars from 12,7 to 19,9; Foschini from 12,5 to 18,3; Pepkor from 7,6 to 13,2; Pick 'n Pay from 16,7 to 23,5; and Wooltru from 13,9 to 18,5.

After languishing for almost a year around R17, Foschini jumped to R32,50 in a month. Apart from a general rerating and good 1990 results (EPS increased by 33%), there was another possible explanation. In early March 1991, Foschini announced a one-for-23 scrip dividend.

This came some three months before the Etam bid. Lewis is controlling shareholder and chairman of Oceana as well as Foschini. The market may have got wind of the intended bid when the scrip dividend was announced, as the share didn't react to the bid.

For 17 months, from March 1991-August 1992, Foschini's share again stuck at R28-R35. It shrugged off a four-way share split in March 1992. Then, in August, it broke out of this range and climbed to R53 in December 1992. Thereafter, it traded at R53-R56 for six months, ignoring the Sterns takeover in February, before rising in May-June to R74.

Hirschsohn is optimistic trading will improve for the rest of the year, especially in jewellery. He is more conservative about prospects for clothing, because of the economy. In short, he again expects real growth.

In the end, whether the p:e rating is too high will depend partly on how well the stock market and the retail sector in particular hold up. One big consideration should maintain the premium over rivals, especially if the UK economy improves: the rand hedge element of the Oceana investment.

History suggests the share could again rest at R60-R74 for some time. *Gerald Hirshon*

COMPARING RATIOS

Financial year-end	Edgars March '93	Foschini March '93
Trading profit/turnover (%)	20,6	27,0
Return on ave total assets (%)	26,5	27,2
Return on ave capital empl (%)	44,2	39,1
Return on ave equity (%)	29,6	26,3
Serviced debt/shareholders' funds (%)	35,7	34,7
5-yr growth: EPS (%)	20,8	25,6
Share price (R)	83	62
P:e ratio	22,7	26,6
Div yield (%)	1,7	3,7
Market cap (Rbn)	4,3	2,8
Value shares traded/ave mark cap (%)	0,4	2,0

Source: I-Net

Plan to tap the mass market

FM 24/9/93 (30)

Faced with a substantial decline in turnover growth for the first half of fiscal 1994, Pick 'n Pay has announced it is to open a new cut-price supermarket chain — ultimately with 50-100 stores — throughout the country over the next two to three years.

The chain is intended to empower a new group of SA business people to enter the competitive retail discount food market with tested products, but with a new retail formula designed to capture a large slice of the low-income sector. Each outlet is to be owned by a selected and trained individual or a group of entrepreneurs who will operate the store on franchise from Pick 'n Pay.

The franchisees will be financed by a bank which Pick 'n Pay chairman Raymond Ackerman declines to name at this stage. Pick 'n Pay may stand guarantor for part of the franchisee's debt. At the outset, however, the retail group is to provide R50m.

Ackerman envisages two different chains. One, a franchised convenience chain, will concentrate on marketing a few lines of dry groceries and toiletries, and no refrigerated products except margarine, butter and milk products. The other will be aimed at the emergent SA; Ackerman says it is to be a "no-frill," aggressive operation that will appeal to black and white consumers.

Details such as the names and images of the chains are to be announced at a formal launch later this year. Once the local operation has been satisfactorily established, Ackerman says it will be franchised elsewhere in Africa.

Pick 'n Pay is to develop its own specialised distribution centres which will supply the new stores with both its "no name" and branded merchandise. It will bulk-buy the merchandise for franchisees, who will benefit from resultant discounts.

About 2 000 new jobs will be created when the chain is fully developed. Labour costs in the new stores may be below the industry average. This could be achieved partly through technology; also, it's likely the franchisees' staff would be too small for unionisation.

Franchisees will pay Pick 'n Pay a franchise and distribution fee. Ackerman expects

Pick 'n Pay's Ackerman ...
two new chains

the new stores will contribute to Pick 'n Pay's operating profit within the next year. By the end of 1995, he expects 50 new stores will be contributing about R10m — roughly 6% — of Pick 'n Pay's profit before interest and investment income.

The group's results for the six months to end-August indicate that consumers' disposable income continues to shrink, and that new joint MDs Gareth Ackerman and René de Wet are lifting productivity.

Turnover growth, at 3,9%, was stunted by the economy. Ackerman says management had budgeted for an increase of 7%-8%, but that was revised to 5% (the same as Pick 'n Pay's "internal inflation rate") when it became evident sales would not show any real growth. The 7,9% increase in trading income implies an encouraging continuation of the improvement in margin seen when the group last reported.

Ackerman attributes the better margin to efficiencies achieved through the information technology systems now used in all group stores. Technology enabled management to deal quickly with excess stock that built up when forecast turnover failed to materialise. The stock liquidation was responsible for cash resources rising from R163m to R226m, and for the rise in stock being confined to 5,6%. Technology also held shrinkage (theft) to 0,2%, "a vast improvement on any other result we have had."

The 18,9% in interim EPS makes no allowance for secondary tax on companies which will apply for the full year. Ackerman is hoping for 6% turnover growth and 8% higher trading profit in the 1994 year. Pick 'n Pay's second half is usually considerably better than the first because it includes the Chrismas season. This target is achievable if the economy remains stable.

Seen with the planned franchise chains, the outlook for Pick 'n Pay is better than the dull, no-growth scenario of six months ago. At 1 070c, the share is well off its peak of R14. It deserves its p:e of 18, which may even be conservative compared with some of its competitors.

Gerald Hirshon

SLOWER SALES

Six months to	Aug 31 '92	Feb 28 '93	Aug 31 '93
Turnover (Rm)	3 096	3 327	3 218
Pre-interest inc (Rm)	57,9	88,3	62,5
Pre-tax profit (Rm)	67,0	94,3	72,4
Attributable (Rm)	36,5	56,5	43,4
Earnings (c)	23,3	36,0	27,7
Dividends (c)	7,25	26,25	8,25

Pick 'n Pay heeds order

B/Day

CAPE TOWN — Pick 'n Pay has stopped selling discounted petrol at its Durban outlets after receiving an urgent instruction from Mineral and Energy Affairs Minister George Bartlett.

Bartlett said he was acting on a directive from President F W de Klerk and the Cabinet. 24/9/93

Pick 'n Pay chairman Raymond Ackerman said the company had decided to heed the instruction immediately, although he did not agree with it and would go ahead with a court application to test the validity of the prohibition. (30)

Pick 'n Pay has until now defied government's order to stop its discount scheme. Under the scheme customers spending more than R10 at Pick 'n Pay's Durban store have been subsidised to the tune of 7c a litre by the company.

Ackerman said yesterday he expected the Cape Supreme Court hearing, at which Pick 'n Pay will challenge the validity of Bartlett's prohibition of the discount scheme, to take place within two weeks. — Sapa.

Fuel costs could be cut — DP

CT 23/9/93

By BARRY STREEK
Political Staff

THE petrol price could be slashed immediately by between 11 and 14 cents even if the current high level of tax rates were maintained, the Democratic Party's energy spokesman, Mr Roger Hulley, said yesterday.

The foundation to the petrol price was its "landed cost" but this was "cooked up" pricing.

"There is a degree of fat in this system," Mr Hulley said.

He also said the "vested interests" were benefiting from the system.

The DP leader, Dr Zach de Beer, suggested a four-step plan for cheaper petrol:

- The removal of the Minister of Energy Affairs, Mr George Bartlett, whose tenure had been "nothing but a disaster".
- A saving, to be put into effect as a matter of urgency, of between 10,9 cents and 13,9 cents a litre with the present regulated pricing structure.
- Deregulating and restructuring the fuel industry to bring further substantial savings.
- Establishing an independent inquiry into the whole pricing structure.

Dr De Beer said the DP believed an inquiry would expose the unfair burden being placed on the motorist.

Supermarket defies cut-price fuel ban

30

CT 23/9/93

PICK 'N PAY has defied an order from Mineral and Energy Affairs Minister Mr George Bartlett to stop selling cut-price petrol, claiming the minister is acting beyond his powers.

The Pick 'n Pay chain went to court yesterday to try to prevent the government from banning its discount petrol scheme and cutting off its fuel supplies.

It will continue selling petrol at the reduced price in Durban, but will delay plans to extend its discount scheme throughout the country until the legal action has been heard in the Cape Town Supreme Court and a ruling has been made, Pick 'n Pay chief Mr Raymond Ackerman said yesterday.

Mr Ackerman had said earlier this week he would comply with Mr Bartlett's instruction.

"Since then our legal counsel have said they believe the discount scheme is legal and that the minister had no right to act as he did. Our court application will see who is correct."

Durban's Hypermarket sold more than double its average daily sales on Tuesday, Mr Ackerman said.

The saving on cut-price petrol on a 50-litre tank is R3,50.

The Congress of South African Trade Unions said earlier that although it opposed the increase, it remained unconvinced the Pick 'n Pay scheme was a solution to the problem. — Staff Reporter, Sapa

Romens clothing faces liquidation

10

Supreme Court Reporter

ROMENS Menswear (Pty) Ltd, supplier of men's clothing, was placed in provisional liquidation yesterday because its liabilities exceeded its assets.

This emerged in papers in the Supreme Court in an application before Mr Justice W A van Deventer, by House of Monatic Manufacturing (Pty) Ltd. CT 23/9/93

In papers, Monatic managing director Mr Stanley Stubbs, said Romens Menswear, a subsidiary of JSE-listed Romens Holdings Limited — of which Lenco Holdings, Monatic holding company, held 26% shares — owed it R1,9 million.

Romens Menswear's assets were worth about R4,6m and its liabilities were about R8,5m, and it would be just and equitable and to the benefit of creditors that it be wound up, he said.

In his reply, Romens Menswear managing director Mr David Marks said: "The application is aimed at effecting a hostile takeover."

Bumper earnings at Specialty Stores

(30)

CT 23/9/93

From MARCIA KLEIN

JOHANNESBURG. — Specialty Stores has bucked the declining retail trend by reporting a 30% rise in earnings to 38,3c (29,4c) a share in the six months to end-August.

Results place the retail group — whose major operating subsidiaries include Milady's, The Hub and Mr Price — on track to meet its forecast of real earnings growth in the current year.

This would be its ninth successive year of earnings increases, joint MDs Stewart Cohen and Laurie Chiappini said yesterday.

The share closed untraded yesterday at a high of R11 after climbing steadily from a low of 510c at this time last year.

Interim turnover was up 27% at R209,5m (R164,4m) in difficult trading conditions as each subsidiary gained market share. The tough conditions, and the significant growth of the Mr Price cash operation, affected margins, which dropped to 7% (7,4%). Operating income was up 2% at R14,7m (R12,2m).

A 10% rise in finance costs to $4,5m (R4,1m) and a 19% rise in taxation R3,9m (R3,3m) — reflecting the lower corporate tax rate — resulted in a 30% higher attributable income of R6,3m (R1,9m).

A 15% higher interim dividend of 11,5c (10c) a share was declared.

Cohen said Mr Price was being extended, and had 46 stores at end-August. It will open four new stores today. Chiappini said the 141-store Milady's chain had achieved budgeted profits, while The Hub performed satisfactorily.

Despite the group's investment in expansion, gearing was tightly controlled at 49% (40%).

The directors said the trading environment in the next six months could be affected by events leading up to the election. Barring severe disruption, it expected to show a real increase in earnings in the full year. About a third of the group's profits wer earned in the first half.

Most of the group's expansion in the current six-month period would be in the Transvaal. The directors said that six years ago 75% of the business was based in Natal. Now, about 40% was Natal-based following a strategic decision to expand into other areas.

Storeco Limited, which holds 63,2% of Specialty, increased its interim earnings by 30% to 76,8c (59c) a share, and declared a 15% higher dividend of 23c a share.

Warning on firm's medical aid tax 'loophole'

Business Editor

ACCOUNTING firm BDO Spencer Steward expects the tax loophole many firms think they have found by providing noncontributory medical aid to be closed.

In its current tax news it CT 23/9/93 says: "In an attempt to structure employee remuneration packages more effectively many employers put their employees on to a medical aid scheme on a non-contributory basis and adjusted their salaries accordingly.

"The result is lower taxable earnings with full medical aid benefits.

Rules

"In order for this to stand up to scrutiny by Revenue, however, employers should ensure that:

- The rules of the medical aid scheme permit non-contributory members (failing which the payment of an employee's portion by the employer constitutes a taxable fringe benefit);
- Employees are aware that their qualifying earnings for UIF and pension purposes are reduced; and
- Payslips and IRP5 reflect the factual position."

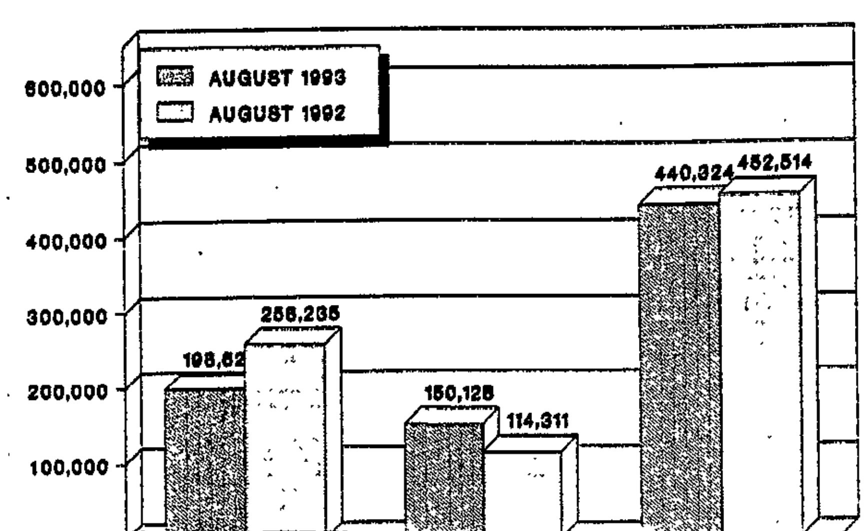
Back to profit for Penrose

PENROSE Holdings reported a decline in turnover and losses in the six months ended June 1993, but the printing and publishing company was finally making a profit, chairman Albert Alletzhauser said yesterday.

Turnover fell to R9,49m (R12,3m) and Penrose reported an attributable loss of R1,54m (R1,36m) — equal to 7,1c (7c) a share.

Alletzhauser said Penrose made a net profit in July and August.

PORTNET - PORT OF CAPE TOWN TONNAGE HANDLED



Specialty bucks retail trend with 30% increase

B/Day

MARCIA KLEIN

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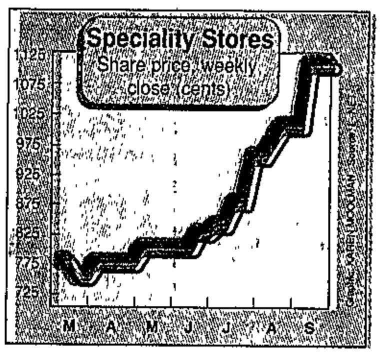

Despite a significant investment in expansion, gearing was tightly controlled at 49% (40%) due to careful asset management and growth in the cash business. 30

The directors said the trading environment in the next six months could be affected by events leading up to the election. Barring severe disruptions, it expected to show a real increase in earnings in the full year. About a third of the group's profits were earned in the first half.

Most of the group's expansion in the current six-month period would be in the Transvaal. The directors said that six years ago 75% of the business was based in Natal. Now, about 40% was Natal-based following a strategic decision to expand into other areas.

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Chain challenges petrol ban in court

B/Day 23/9/93

DURBAN — The Pick 'n Pay chain filed papers in the Cape Town Supreme Court yesterday in a bid to prevent government banning its discount petrol scheme and cutting off its fuel supplies.

Sapa reports Pick 'n Pay joint MD Gareth Ackerman said the chain would continue selling petrol at the reduced price in Durban.

However, plans to extend its discount scheme throughout the country had been put on hold until a legal ruling had been made.

This follows Mineral and Energy Affairs Minister George Bartlett's warning to Pick 'n Pay on Tuesday to stop its discount petrol coupon scheme, or face prosecution and a cut to fuel supplies.

Raymond Ackerman said yesterday the Durban scheme was not an act of defiance and was legal. It would be continued until end-October to honour customers who had been promised the discount facility.

The DP, in turn, has proposed a plan for cheaper petrol which it believes could cut petrol by 20c/*l*.

DP mineral and energy affairs spokesman Roger Hulley released the plan yesterday, which entails;

- Removing Bartlett from his post;
- A saving of between 10,9c/*l* and 13,9c/*l* in the present regulated pricing structure. This saving would be achieved by a 6-9% cut in the "artificially high landed cost" component, a 9c cut in the Petronet tariff, and a 4c saving in the Equalisation Fund protection tariff. The trimming of the Equalisation Fund would end motorists' R20m-a-month Mossgas subsidy. The DP believed this step should be taken, even if it resulted in Mossgas being mothballed; (30)
- Deregulation and restructuring of the fuel industry; and (55)
- An independent inquiry into the petrol pricing structure.

THEO RAWANA reports minibus blockades moved to the Free State yesterday as the National African Federated Transport Organisation (Nafto) prepared for talks with Bartlett over the petrol price increase.

About 300 taxi drivers laid siege to Welkom yesterday, parking and locking their vehicles in the city centre, to protest against the petrol hike.

A Free State police spokesman said 345 policemen had been deployed in the city.

He said police used stun grenades to disperse the crowd.

ANC northern Free State legal department head Fezile Dabi said the ANC supported the drivers, who came from different taxi associations. The drivers had drawn up demands to be handed to the police.

A Nafto spokesman said Nafto chairman Peter Rabali would lead a delegation of 10 taxi representatives for talks with Bartlett today.

Petrol supply to chain store uncertain

Sowetan 22/9/93

Barlett in row with Ackerman

By Ismail Lagardien
Political Correspondent

THE Government has threatened to be tough on Pick 'n Pay because of the retail chain's sale of petrol at a discount price.

The Minister of Mineral and Energy Affairs, Mr George Bartlett, said yesterday he would shut down the supply of petrol to Pick 'n Pay and prosecute the company's chairman, Mr Raymond Ackerman, if the hypermarket continued to discount the petrol price.

Ackerman has vowed that petrol at his hypermarkets around the country would be sold at the old price through a 7c discount voucher. 30

Bartlett reacted yesterday and said Ackerman's defiance had already caused losses in petrol sales in Durban — where the pilot hypermarket discount petrol programme was launched — and that it would continue to adversely affect small businesses.

Citing the relevant laws, Bartlett said in Cape Town yesterday that in terms of the law he "prohibited the petrol coupon scheme at present operated by the Pick 'n Pay Group".

Consideration of the facts

"I have taken the decisions after due consideration of the facts and circumstances surrounding the schemes, including the comments of Ackerman's legal advisers, and have concluded that on the whole it will negatively affect the selling price of petrol and that it would ultimately only benefit Ackerman and Pick 'n Pay to the detriment of service stations and consumers at large.

"I have, however, indicated that the question of the deregulation of the petroleum industry will be discussed in appropriate forums and it would be more valuable for interested parties to provide constructive comment in these forums than taking the law into their own hands," Bartlett said.

Revamped Jet stages a W Cape come-back

JET, the revamped wholly owned subsidiary of the Edgars group, is to make its come-back in the Western Cape today after a four year absence from the region. (30) CT 22/9/93

The first of a planned four to eight local stores is sited in the new Somerset West Mall, which opens for trade today.

The group, which has been repositioning itself from "cheap" to "cheap and high quality" has grown market share in recent years, according to merchandising director John Day.

Jet has now been transformed into the middle to upmarket cash arm of the Edgars group, with a turnover of about R400m a year.

"And according to the Retail Liaison Committee, which represents all the major clothing manufacturers, our market share is now about 2,2% which represents a growth of about 10% over the past two years."

Today also marks the launch of the group's new credit card with third party financing by First National with normal credit card terms.

This, Day said, would allow Jet to keep prices down rather than factor in for credit.

The 40 000m², 105-store Somerset Mall is fully let. The centre is jointly owned by AECI Pension Fund (60%), Sycom Property Fund (22%) and Newport Property Fund (18%).

Confidence axed by local violence

(30)

By AUDREY D'ANGELO
Business Editor

THE "unprecedented increase in violence since April" has seriously dented consumer confidence, the Stellenbosch Bureau for Economic Research (BER) says.

But although retailers' fears of poor business in the third quarter have come true — and some "have been forced to retrench workers to stay in business" — they expect sales to improve in the fourth quarter as inflation continues to slow.

In the report on its latest survey of the commercial sectors the bureau says inflationary expectations have fallen sharply, particularly in the Western Cape.

"Retailers anticipate higher sales volumes in the fourth quarter because they plan to increase prices at a lower rate than last year."

However, the BER maintains its view that the economy "will at best bottom out during 1993.

"Our forecast for economic growth could be revised slightly upwards from a decline of 0,5% to a sideways movement in gross domestic product (GDP).

"Uncertainty up to and until the election at the end of April 1994 will probably rule out any substantial recovery of consumer confidence and therefore also a significant improvement in private consumption expenditure.

"From about the second quarter of 1994 an increase in real personal disposable income (as a result of lower inflation) with a more positive outlook for consumer spending is possible."

The survey showed that only 25% of white consumers expect an improvement in the economy during the next 12 months.

"This can mainly be ascribed to the protracted recession, increasing unemployment in the formal sector, increasing violence and political uncertainty."

Pointing out that, according to the Human Rights Commission, 605 people died in politically related incidents in July and 554 in August, the BER report comments: "This brings the average daily figure of people who died in this way during the past two months to about 18.

"This is likely to have a direct adverse effect on consumer confidence. CT 22/9/93

"Whites outside the metropolitan areas are particularly pessimistic, with close to 80% of the consumers expecting a deterioration in economic conditions during the coming year. Consumers are the most pessimistic in the Orange Free State.

"Black consumers have become less optimistic since June about the general economic situation.

"Black females turned more pessimistic, with only 41% of female respondents expecting an improvement over the next 12 months compared with 55% of males."

Black men aged between 16 and 24 have become more pessimistic since June while those aged between 25 to 34 are more optimistic.

The report says the lower increases in both consumer and producer price inflation, along with downward pressure on nominal interest rates, could contribute to an improvement in consumer confidence.

"Continued progress on the political front will go a long way towards bringing about more certainty."

Pick 'n Pay lifts earnings 18,9%

CT 22/9/93 (30)

By AUDREY D'ANGELO
Business Editor

PICK 'n Pay shrugged off the effects of the recession to lift earnings by an impressive 18,9% to 27,75c (23,3c) a share in the six months to August 31.

This was due partly to the lower rate of company tax and partly to tight control of expenses — which were R16m below budget. Shrinkage fell to 0,2%.

The interim dividend is 13,8% higher at 8,25c (7,25c) a share, comfortably outstripping inflation.

Net profit before tax was R72,4m, (R67m) and distributable income R43,4m (R36,5m). This was achieved on a 4% rise in turnover to R3,2bn.

Trading income was R62,5m (R57,9m). The tax bill was R131,4m (R106,5m).

Joint MD Gareth Ackerman said the group was currently finalising leases for stores in Namibia and Botswana and a move into other parts of Africa would be "pursued when the time is right."

Pick'n Pay would also take a further look at overseas investment early next year. "We are looking all over the world. A number of opportunities have been presented to us, ranging from South America to Asia."

Franchise chain

Pick 'n Pay had been talking to its former partners in Australia, but "it is not a foregone conclusion that we will go there. The Australian market at the moment is unbelievably over-traded. The retail market there is in a state of flux."

But, Ackerman said, the plans for overseas expansion had been put on hold while the group first went ahead with plans for a franchise chain of small convenience stores with low overheads in partnership with new entrepreneurs.

Arrangements had been made with a financial institution to provide loans. The partners, who would be given a training course ending in an examination, would own the stores and Pick 'n Pay's profit would be calculated on the amount of goods ordered by each store.

Ackerman said the local community would be consulted about the location of each proposed new store. And the franchise holder would be someone acceptable to the community.

Chairman Raymond Ackerman pointed out that the half-year's results had been achieved at a time of low inflation.

Financial director Chris Hurst said that in times of high inflation it was comparatively easy for anyone to lift earnings. It would be interesting to see how some chains fared now it was low.

Pick 'n Pay reports 19% earnings rise

B/Day 22/9/93

MARCIA KLEIN

PICK 'n Pay increased its interim earnings 19% to 27,7c (23,3c) a share to end-August, with lower taxation, and better controls and productivity, offsetting pedestrian turnover growth.

Chairman Raymond Ackerman said turnovers were hard to attain because of the downswing in the economy, political uncertainty, the competitive market and the drop in the inflation rate.

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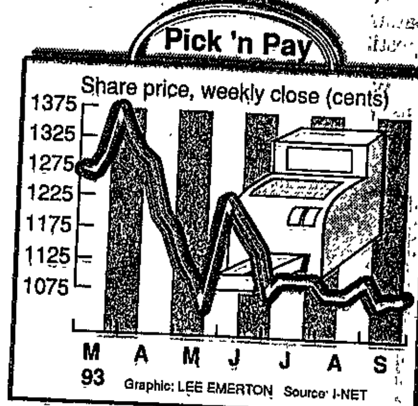
Although the 4% increase in turnover to R3,2bn (R3,1bn) was low, market share continued to grow. The market share of non-food products in particular had increased, mainly in the group's Hypermarkets and Superstores.

Net pre-tax income was 8% higher at R72,4m (R67m). Ackerman said the pre-tax margin was 2,25%, the best result since August 1990. Lower taxation of R29m (R30,5m) enabled Pick 'n Pay to report a 19% rise in distributable income to R43,4m (R36,5m). The interim dividend was 14% higher at 8,25c (7,25c) a share.

Ackerman said shrinkage was 0,2%



Graphic: LEE EMERTON Source: I-NET

(0,7% at end-February), as a result of management attention and expenditure on technology. Expenses were R16m below budget. Stocks were higher than the group would have preferred, largely because of the slowdown in turnover and certain imports — particularly toys — which came in

□ To Page 2

Pick 'n Pay

B/Day 22/9/93

□ From Page

earlier than usual. The group had cash of R225,7m (R163m).

30

Although wages and salaries went up about 9% and turnover grew by less at 4%, Ackerman said the bottom-line results reflected improved productivity and control.

By the end of this year, Pick 'n Pay would launch a two-year programme to establish between 50 and 100 new stores in partnership with "new entrepreneurs". The stores would be wholly owned by the group's partners and would be based in SA initially. The first phase would cost about R50m and would create about 2 000 jobs.

Ackerman said the move was in line with the group's wish "to add our financial muscle to business instinct and extend Pick 'n Pay's buying power, brands and dynamism to new partners". Old stores would also be "recycled" and franchised.

Improvements in productivity, expense control and shrinkage which had been achieved in the first half would be maintained in the second.

It was possible a similar pre-tax profit contribution would be shown for the full year. But profit after tax would not be the same because of secondary tax on companies, which would affect year-end taxation, Ackerman said.

majority shareholder Anglovaal and by Registrar of Insurance Piet Badenhorst.

In a report annexed to the papers, Badenhorst said if Crulife were put under liquidation, "the interests of the policyholders, which it is submitted are paramount, will be adversely affected in that they will become concurrent creditors of Crusader. If, however, Crusader continues under curatorship, there appears to be a reasonable prospect that claims by policyholders who continue to pay premiums will be met in full."

Van der Merwe said in the respondents' affidavit that the curators were managing Crulife's business. They had closed 13 branch offices, substantially cut staff numbers and were negotiating to reduce its running expenses.

If a liquidation order were granted, the curators and the liquidator would be filling substantially the same functions, Van der Merwe said. This would create an ungovernable situation and would duplicate functions and costs.

Since it was impossible to assess Crulife's financial position with any accuracy at this stage, this alone made liquidation proceedings inappropriate, he said.

The uncertainty of the company's position was aggravated by the fact that since the announcement of the curatorship, policies were being redeemed and/or lapsing at a significant rate. These redemptions and lapses had a direct bearing on Crulife's contingent liabilities, and this aspect alone could materially affect its solvency.

Agreement on ERPM 7-day week

B/Day

ERICA JANKOWITZ

RANDGOLD's troubled ERPM gold mine started a new shift cycle this week after the NUM and mine management signed an agreement to work on Sundays, NUM economist Martin Nicol said yesterday.

The agreement stated the mine would operate seven days a week to increase its gold output, with workers working 12 days followed by three days off or 15 shifts. 22/9/93

The hours a shift would be the same but miners would work marginally more hours a year. In return, a 4% a month shift allowance would be paid and a production team bonus would come into effect.

Two other agreements were signed.

One granted an additional 2% or R12, whichever was the greater wage increase, backdated to July 1. This topped up the 5% unilaterally implemented June increase.

It also covered the mine contributing to the Mineworkers' Provident Fund for the first time. ERPM had been the only Chamber of Mines member not to offer this benefit. But the initial contribution would be 2%, in contrast to other mines' 7%.

The other agreement guaranteed benefits to workers in return for productivity improvements. These included bonuses, training and "empowering members to participate effectively in the changes planned at the mine".

'Transnet stops hiring whites'

Own Correspondent

DURBAN — Transnet would no longer hire white employees, its staff association Salstaff said yesterday.

It said Transnet had taken a national policy decision not to employ whites in a bid to redress past imbalances. B/Day 22/9/93

Senior human resources manager Hennie Lourens confirmed yesterday that Transnet had embarked on a countrywide affirmative action programme. "We are changing from a white male-dominated company into one in which diversity is valued."

The 20 000-strong Salstaff association has accused Transnet of discriminating against white employees and applying tokenism in a rush to include black faces.

Salstaff president John Benwell said: "They are not employing whites unless special permission is granted by the GM's office in Johannesburg.

"Our union strongly opposes this decision because it is discriminatory. We support equal opportunity at work, in which the best person gets the job, irrespective of race or sex.

"We believe that is the principle that should be adopted. We have already informed President FW de Klerk and Transnet management of our views on this matter.

"We accept that there were imbalances created in the past, but we do not support any actions that would be detrimental to the company and its present employees. We are opposed to tokenism," Benwell said.

Confidence dented by rising violence

B/Day 22/9/93

CAPE TOWN — While the political negotiation process is progressing at Kempton Park, an increase in violence since April has seriously dented consumer confidence, says the Bureau for Economic Research.

The Stellenbosch University-based bureau disclosed in a commercial sector survey yesterday the violence had caused consumer confidence to remain at low levels in the third quarter, "particularly with respect to how consumers view the short-term economic situation in the country".

"Consumers remain concerned about their financial situation and remain hesitant to incur spending."

This was reflected in sales reports by retail respondents. Retailers had pessimistic expectations about sales during the third quarter.

"Their expectations for the fourth quarter are, however, more optimistic," the bureau said.

Inflation expectations had fallen sharply and retailers anticipated higher sales in the fourth quarter. It said 64% of retailers expected prices to increase at a slower rate in the fourth quarter.

Most respondents expressed dissatisfaction with business conditions in the third quarter but were more optimistic about the fourth quarter.

While business confidence declined in the retail sector it increased marginally among wholesalers and increased sharply in the motor trade.

"Uncertainty up until the election at the end of April 1994 will probably rule out any substantial recovery of consumer confidence," it said.

"From the second quarter of 1994, an increase in personal disposable income, as a result of lower inflation, with a more positive outlook for consumer spending, is possible."

While retail sales were sluggish, motor sales were booming, the bureau said.

Sales by motor dealers had outstripped expectations with both new and used car dealers reporting increased sales.

"The improvement in car sales must be ascribed to replacement buying and the number of new models introduced earlier this year," the bureau said.

Expectations for the fourth quarter were generally optimistic in all three sectors — new and used vehicles and spare parts.

The bureau said 24% of motor dealers reported more orders in the third quarter compared with a year ago and 13% planned to place more orders in this quarter.

It said 10% of spare parts dealers reported more orders placed and 22% expected more orders to be placed in the fourth quarter. — Sapa.

'Cabinet will not rescind price hike'

Bartlett bans Ackerman's petrol scheme

B/Day 22/9/93

BILLY PADDOCK and TIM COHEN

GOVERNMENT yesterday banned Pick 'n Pay's discount petrol scheme and threatened to halt the retail group's supplies if it did not obey the injunction.

Defiant Pick 'n Pay chairman Raymond Ackerman immediately said he would take Mineral and Energy Affairs Minister George Bartlett to court.

And Cosatu warned that if today's Cabinet meeting produced a negative response on the petrol issue, the union federation would "embark on a programme of action to rescind the fuel price increase and ensure that an equitable formula is agreed on for determining prices in future".

Pick 'n Pay has been operating the 7c/l discount scheme at its Durban Hypermarket since last week's petrol price hike. The group decided this week to extend the scheme to other centres.

Bartlett said if the scheme had been left unchallenged, it would have led to the "collapse of the industry". It would have had an adverse effect on the selling price of petrol and would ultimately have benefited "only Raymond Ackerman and the Pick 'n Pay group to the detriment of service stations and consumers at large".

The scheme would have led to a "free-for-all", with larger companies squeezing out smaller rivals. "Already there have been complaints from gas stations in Durban North that their fuel sales have dropped."

He said there was little chance that the petrol price increase would be scrapped and he scotched reports that he would recommend subsidies for the taxi industry to the Cabinet.

However, deregulation of the petroleum industry would be discussed in appropriate forums, and "it would be more valuable for interested parties to provide constructive comment in these forums, rather than taking the law into their own hands".

"At the moment there is only one advocate in favour of deregulation and that is Mr Ackerman."

Bartlett sent notification of his decision banning the scheme to Ackerman yesterday, stating that he was acting in terms of his powers in the Petroleum Products Act of 1977. The blanket prohibition also forbade Pick 'n Pay's involvement in any form of petrol coupons or discounting.

It said should Pick 'n Pay fail to halt the scheme immediately "further steps will be taken against you, including the prohibition of the supply of petrol to you".

Ackerman said Bartlett had used "his totally arbitrary powers" to halt the petrol discount scheme.

"We have to comply and the notice forces us to follow the injunction. But this

☐ To Page 2

Petrol

B/Day

☐ From Page 1

will only be temporary. Tomorrow we will be consulting counsel and preparing to take the matter to court because we are totally legal and operating fully within our rights and as long as we can prove this his injunction cannot stand," he said.

Cosatu said it had watched Bartlett's performance "with growing anger and amazement". "He seems totally incapable of comprehending the seriousness with which the majority of South Africans view this issue."

It accused Bartlett of trying to use the National Economic Forum as a delaying mechanism to dissipate protests on the issue. If the Cabinet backed Bartlett's intransigent stand "they will face a massive backlash".

Cosatu also said Pick 'n Pay's stand would not ultimately benefit the consumer as supermarkets used petrol as a loss leader, which affected the prices of other essential goods.

DP leader Zach de Beer said Bartlett's action "smacks of a most inopportune attack" on free enterprise. The DP intended to lift the lid "on disturbing features" of the petrol price at a news conference today.

Pick 'n Pay stands firm on discount for petrol

Star 21/9/93

■ BY CHRIS WHITFIELD AND BRENDAN TEMPLETON

A showdown is looming between the Government and Pick 'n Pay over the supermarket's 7c discount petrol scheme which is due to hit the Pretoria-Witwatersrand-Vereeniging area by Saturday.

Minister of Mineral and Energy Affairs George Bartlett says he has the power to cut supply lines if the scheme is found to be illegal. (30)

But the supermarket chain has vowed to challenge any Government attempts to end the scheme, which has seen petrol sales at its Durban pumps leap by 150 percent.

Pick 'n Pay joint managing director Gareth Ackerman said from Durban yesterday: "We are going ahead with the programme because we believe it is totally legal. If he (Bartlett) bans it, we'll challenge it legally."

Pick 'n Pay's arguments were examined yesterday by State lawyers.

A spokesman for Bartlett's office said a cut-off was only one of a range of steps which could be taken.

Under Pick 'n Pay's discount scheme, supermarket customers buying goods for more than R10 are given a coupon allowing them 7c a litre off as much petrol as they want.

Pikpay earnings soar

TOM HOOD
Business Editor

(30) ARGT 21/9/93

PICK 'n PAY boosted its earnings by almost 19 percent to R43,4 million for the half year to August 31.

The interim dividend has been raised by 14 percent to 8,25c (7,25c) a share and involves a payout of R13 million to shareholders.

Turnover grew by about 4 percent or R117 million to R3,2 billion — "indicating we are living in a non-inflationary society", said chairman Raymond Ackerman today.

He described the results as "excellent" and said the net pre-tax profit of R72 million was up 8,6 percent on a year ago and related to a 2,25 percent margin before tax which was the best result since August 1990.

The group ended the half-year with a cash mountain of R225 million — up on R163 million a year ago but below the R309 million at the February year-end.

Mr Ackerman said he believed the results, achieved in very difficult trading conditions, showed a depth of management and a particularly strong result from the new top management that was appointed at the beginning of the year.

This result was achieved through productivity and better control of the business because the turnovers were hard to attain.

However, the group had increased its market share.

Shortages came out at only 0,2 percent — "a vast improvement on any result we have had" — and this was directly as a result of management attention and the technology on which so much capital had been spent over the past few years.

Expenses had been well controlled, coming out at R16 million below budget.

Turnover showed a slow increase on last year but market share remained on a growing platform.

"This is the first period that we are looking on low inflation in South Africa.

"According to our figures, the inflation in our company is about 5 percent if you exclude the 2 percent which is affected by the VAT increase."

Although stocks of R463 million were up on R428 million a year ago, Mr Ackerman said it was primarily due to the slowdown in turnover and certain imports, particularly toys, that came in much earlier than usual.

Wages and salaries went up about 9 percent and yet the results were achieved in spite of turnover growing only 4 percent. This definitely was a sign of improved productivity and control in all aspects of the business.

The market share of non-foods had increased in the hypermarkets and superstores, which was encouraging, Mr Ackerman said.

Retail giant to back new generation of retailers

(30)

ARG 21/9/93

TOM HOOD, Business Editor

A TWO-YEAR programme to open between 50 and 100 small no-frills stores in partnership with new entrepreneurs will begin soon at Pick 'n Pay.

The first phase, costing about R50 million, will create 2 000 new jobs in stores and distribution, and provide the launching pad for a new generation of small business people, says group chairman Raymond Ackerman.

The stores would be "totally aggressive" and even refrigeration would be cut out to keep prices low.

Pick 'n Pay would run a training school for these small retailers, who would have to pass an examination.

Arrangements were being made with a financial institution to fund the programme, and those taking part would own their business, with Pick 'n Pay organising the supply of goods.

The stores would be based in South Africa initially.

"Once we have established our financial and distribution processes for the new stores, we will look at expansion beyond our borders," added Mr Ackerman.

No sign of sales upturn

KELVIN BROWN

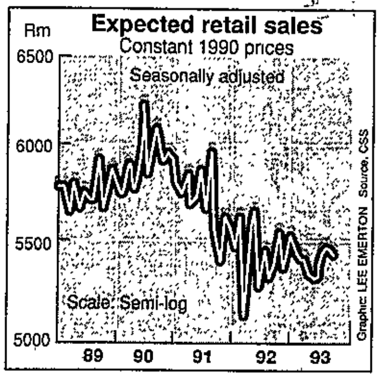
MAJOR retailers expected sales to remain sluggish in September with no sign of any big upturn, according to figures released yesterday by the Central Statistical Service (CSS).

Retailers predicted real seasonally adjusted sales figures would fall by 0,6% in the month after rising 0,5% in August. This would bring the annual rise in sales down to 0,87% in the year to September from 2,7% in August.

The figures were based on estimates provided by the largest 100 retail trade firms. B/Day

Economists said they were not surprised by the sluggishness in the figures as salary and wage increases remained under pressure and real interest rates were high. No real improvement was expected until consumer confidence improved and interest rates were cut. 21/9/93

Pick 'n Pay joint MD Gareth Ackerman predicted growth would remain fairly flat in the coming months. "Although sales will pick up as Christmas approaches we expect no real fireworks." He did not foresee any significant improvement until after the election next year.



OK Bazaars marketing director Arthur Solomon said there was no sign of a recovery in retail sales. Consumers were living from hand to mouth and were buying necessities.

He said a drastic fall off in the level of violence was needed before consumer confidence would show signs of improving. (30)

Old Mutual economist Rian le Roux expected retail sales to bounce along the bottom until there was more certainty about the policies of the new government. He said political uncertainty made consumers reluctant to spend.

Pick 'n Pay to extend discount petrol

BiDay 2/11/9/93

THEO RAWANA

PICK 'n Pay announced yesterday it would extend its discount petrol scheme to 16 hypermarket outlets around the country within days, as petrol sales at its Durban test outlet rocketed 250%.

In a tense standoff with government, attorneys for Mineral and Energy Affairs Minister George Bartlett are considering yesterday's submission from Pick 'n Pay attorneys on the discount scheme.

Our Durban correspondent reports that joint MD Gareth Ackerman expressed concern that Bartlett might invoke powers under the Petroleum Products Act to end the scheme. But if he did Pick 'n Pay would "take government to court and win".

Bartlett's spokesman said the Minister was waiting for legal advice and probably would announce his decision after tomorrow's Cabinet meeting. Our political staff reports that Bartlett said last night no finality on how to resolve the petrol price controversy was likely until the National Economic Forum met in two weeks' time.

He told the Convention of Democratic Taxi Associations in Cape Town that he could not see the price being lowered. He had sympathy for the taxi industry and would discuss its problems, including a call for subsidies, with the Transport Minister.

Sacob head Raymond Parsons said business representatives met to discuss recommendations for this week's National Economic Forum task force meeting.

High noon for cut-price petrol

SHOWDOWN ... discount king Raymond Ackerman will meet Minister George Bartlett tomorrow morning with pumps blazing Picture: TERRY SHEAN

S1 Times 19/9/93

By PETER DE IONNO

RENEGADE petrol discounter and chairman of Pick 'n Pay Raymond Ackerman faces having his R52-million, 31-million litres a year retail fuel business shut down by ministerial edict.

He will receive a report today from his lawyers telling him whether his 7c a litre coupon discount scheme operating in Durban until Friday can be successfully defended against a government challenge.

Mineral and Energy Minister George Bartlett has summoned Mr Ackerman to his Cape Town office at 8am tomorrow to explain his legal justification for brazenly defying petrol price regulations which forbid price cutting.

Mr Bartlett, under attack this week over his uncompromising stance on the petrol price rise, sent Mr Ackerman a government legal opinion that any form of petrol discounting was illegal.

"He has the power to stop me selling petrol," said Mr Ackerman, who had planned to introduce the scheme in hypermarkets around the country from Wednesday. Now the plan will only go ahead if Pick 'n Pay's legal argument is accepted by the minister.

"We have gone through a legal loophole — I am convinced we were right," Mr Ackerman said.

"The regulations say the seller of petrol must receive in full the price laid down in law — and that's what's happening. The recipient does not have to pay the full amount."

He said shoppers spending more than R10 had been given coupons allowing them 7c a litre off as much petrol as they wanted.

Mr Ackerman said price-fixing in the fuel industry made the government that preached the merits of free enterprise to the ANC and the world look like hypocrites.

Mr Bartlett was not available for comment.

● See Page 7

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WINDOW OF OPPORTUNITY: Massmart employees size up the container shop Picture: JOHN HRUSA

Makro adds instant spaza to township retail

By CHERILYN IRETON

MAKRO is testing a novel way of distributing its products in the townships.

In an attempt to gain greater access to the vast, largely untapped market the Massmart subsidiary is kitting out nine freight containers as instant spaza shops and will use them to begin work on a retail infrastructure in the townships.

Container shops have been successful in western Cape townships like Khayelitsha.

Although the townships offer huge potential to traders, the usual ways of getting goods to them have failed because of the lack of infrastructure and attacks on delivery vehicles.

Makro Food director Paul Marsh says: "Supplies are not reaching the large informal market because of the danger and high costs linked with serving spaza-type stores."

The six-metre-long containers are insulated and decked out with shelving and a gas freezer and fridge. The first nine — fully stocked by Makro to the value of R40 000 — will be given away to the winners of an in-store competition.

Makro sees the concept as a "toe in the water". If the concept works, Makro will consider setting up a chain of container shops.

"The idea is to put up the infrastructure and finance for the storekeeper, supply him with rolling credit from Makro and provide medical aid and housing finance," says Mr Marsh. ST Times

"The spin-offs for us are an expanded network to sell our goods and a bigger cardholder base. (Buss)

"The ideal would be 500 containers linked to us. If it works we will play with other derivations of the basic container." (30)

Makro is using its influence with suppliers to sell brand advertising on the containers and to contribute stock to the first nine containers, which will be given away in October.

Winners of the competition will receive a four-day retail training course from the Get Ahead Foundation.

Makro will deliver the container to the site of the winners' choice. 19/9/93

Mr Marsh says Makro has been looking for a way of improving brand awareness at the lower end of the market for some time.

"The signage will give awareness a big boost where it counts — right in the middle of the township. We all know this is *the* market. We have been well supported over the years by traders from the township but there is still a lot of potential."

Retail industry stays in doldrums

(30) ARG 18/9/93

Business Editor

THE retail industry has shown little improvement of late, reflecting the market being in the doldrums, says the latest quarterly issue of Rode's Retail Report.

Landlords cannot expect rental increases in a hurry, says research director Erwin Rode, editor of the report.

He points out that escalation rates in shop leases average 12 percent, the same as the previous quarter.

"Company earnings in the retail sector appear to be showing some improvement," he adds. "Furniture and household appliances showed year-on-year growth during the second half of 1992, falling back slightly towards the end of the year."

Some recovery was shown in the first quarter of 1993, with a slight decrease in May, which still reflected positive year-on-year growth, however.

"Earnings of some retail and wholesale companies have also shown some slight increase since the middle of last year. This has continued during the first five months of 1993. The increase in retail and wholesale earnings has also translated into positive growth, year-on-year, in this sector."

A positive influence in the sector's performance could be attributed to the rent and electricity boycotts in black townships, which had raised the disposable income of residents.

Should satisfactory rental and electricity agreements be reached, these people would probably experience substantial decreases in their disposable income. This could be detrimental to the furniture and household retail industry.

Most purchases made in this sector are made on credit. Consumers with instalment commitments would find it more difficult to continue paying for these purchases, and new buys would be similarly affected.

Generally, retail sales have shown no improvement since the last quarter of 1992. In most categories further declines have been experienced, with year-on-year changes also showing further declining trends.

The Cape Province still appears to be showing the most growth in the retail sector, with three regions — East London, the Cape Peninsula and Port Elizabeth — remaining under the top five performers in the country.

"The outlook for the industry as a whole is, however, still bleak," Mr Rode concludes.

The new gatekeepers and their golden keys

ANC tinkering in business deals — under the pretext of redressing past anomalies — favours the black business elite at the expense of the oppressed masses, reports Iden Wetherell

WM 17-23/9/93

NEWS that African National Congress leader Nelson Mandela has threatened to block the award of cellular telephone licences until a new government is in place spotlights a potentially hazardous trend — privileged access to the economy for a politically connected elite.

The pretext for ANC interference in this and other recently publicised cases is difficult to fault — resistance to unilateral restructuring by an unrepresentative government and the need to empower emergent business interests hitherto excluded from the economy. But the implications are more sinister — deal exclusively with us, the ANC hints none-too-subtly, and we will see you right in the new order.

A pattern is emerging. The ANC-linked investment company, Thebe, has signed a sweetheart deal with United States-based Digital Equipment Corp and is exploring a similar agreement with multinational publishing giant Macmillan. Both provide for partnerships with Thebe companies that promote black business and circumvent sanctions. Scholarship programmes, training and investment of funds in the new subsidiaries secure approval from architects of the new order while avoiding censure from the African-American lobby.

ANC promoters also approached the organisers of the Miss South Africa contest to extract R250 000 for future "training programmes" for black beauty queens in "a major breakthrough for the oppressed masses". They reportedly insisted on participating in the future selection of judges for the competition.

In another development, ANC arts and culture supremo Wally Serote has been circulating a draft agreement with Sun International that would establish a Sun-sponsored arts foundation together with regional arts councils. The scheme has drawn fire from ANC activists in Bophuthatswana who say it envisages a privileged relationship between the government-in-waiting and a company heavily involved with a repressive homeland regime.

Serote has also been criticised for a deal with Elmo de Witt Films that sets up a National Film Trust of Southern Africa. The ANC will reportedly receive 25 percent of the profits generated by the trust while an affirmative action programme will benefit black film-makers. Members of the Film and Allied Workers Union charge that such an initiative between a future ministry of culture and a single production company "might create an environment of unfair privilege for the company involved".

Mandela's latest intervention to delay the award of telecommunications licences is perceived as an attempt to hold the ring for favoured overseas companies and "correctly affiliated" local business interests.

There is nothing new in this. The National Party government has for years acted as gatekeeper for approved companies. But the ANC argument, reflected in Thebe's mission statement, that it needs to redress past anomalies by a process of active black empowerment raises a salient question: exactly who gets empowered by insider deals that favour an already well-placed and upwardly mobile black business elite? And can an economy that works on the basis of such favouritism operate efficiently or deliver any useful measure of social justice to the less fortunate?

Elected political leaders are entitled to make decisions that rectify past anomalies. But the consequences of high-level intervention in corporate decision-making on the pretext of levelling playing fields and favouring the historically oppressed can be devastating if promiscuously applied. Corporate "cronyism" has a debilitating knock-on effect. Morale suffers, able people quit when merit is ignored, and the cost of incompetence is passed on to consumers with inflationary consequences.

When Zimbabwe's governing class assumed power in 1980, no problem proved too daunting. Ministers ordered the promotion of politically deserving friends, interfered in the day-to-day decision-making of publicly owned companies and imposed their priorities on a beleaguered private sector. Prescription and corruption inevitably proved inseparable partners. The cost of misdirected masters of the universe recasting the world in their own image is apparent. In 1992 Zimbabwe's per capita GDP fell below the 1974 level when sanctions were in full force.

While redistributive policies have evidently done little for effective popular upliftment in Zimbabwe, embourgeoisement has been a runaway success. The gap between rich and poor has widened immeasurably since independence.

In their proposal, Thebe promised Macmillan "a regular line of communication with the relevant government structures in the new South Africa". Thebe claims to be "a catalyst to correct the economic imbalances in South African society". There are a host of multinational and local adventurers prepared to pay for such privileged access while "correction of imbalances" can offer a rationale for just about anything.

Corruption is well ensconced in the South African economy with parastatal and local government contracts offering rich pickings. Add to that an emerging culture of entitlement, a pressing need from below for extended patronage by those fortunate enough to reach office, and local masters of the universe on a political high, and the prospects appear inauspicious.

The last thing South Africa needs in this corrosive situation is a new generation of official gatekeepers — a politically well-connected business elite charging for admission to a growing field of opportunities. That will ultimately distort business where it has not been deterred, empower the already powerful and provide an environment in which impoverishment becomes further institutionalised.

Companies wishing to enter the market from abroad may build the cost of doing business in South Africa into their corporate calculations. Others may not be prepared to pay the price. But can South Africa afford to engage in policies that favour those who are already placed to take advantage of new opportunities at the expense of an underclass who have no prospects at all?

TAFELBERG FM 17/9/93

Feeling the icy chill

Activities: *Retails furniture.* (30)
Control: *Directors 43% (1992: 64%).*
Chairman: *E J Theron.*
Capital structure: *12,3m ords. Market capitalisation: R2,7m.*
Share market: *Price: 22c. Yields: 13,6% on dividend; 27,2% on earnings; p:e ratio, 3,7; cover, 2. 12-month high, 25c; low, 18c. Trading volume last quarter, 86 000 shares.*

Year to February 28	'90	'91	'92	'93
ST debt (Rm)	0,7	1,3	1,4	0,7
LT debt (Rm)	1,4	1,3	0,1	0,1
Debt:equity ratio	0,53	0,57	0,27	0,11
Shareholders' interest	32	32	33	29
Int & leasing cover .	10,7	n/a	n/a	n/a
Return on cap (%) ..	15,5	13,2	8,6	5,8
Turnover (Rm)	31,1	41,5	44,9	49,9
Pre-int profit (Rm) ...	1,8	1,8	1,2	1,0
Pre-int margin (%) ..	5,8	4,3	2,7	1,9
Earnings (c)	7,0	7,5	7,0	6,0
Dividends (c)	3,5	3,5	3,5	3,0
Tangible NAV (c)	30,2	34,1	36,8	38,7

As surely as all Capetonians feel the icy winter South-easter when it reaches land from the frozen Polar cap, this Cape-based furniture retailer felt the chill of the prevailing trade wind in financial 1993.

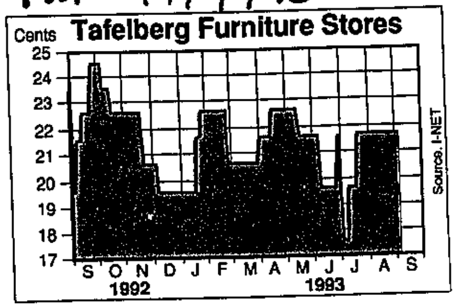
Tafelberg is one of the few so-called furniture retailers that operate almost entirely on cash. Its stock comprises household furniture, electrical appliances and sophisticated audio and television equipment which it markets to middle-upper income groups. It did well to increase turnover by 9% when the market was shrinking. It retained its market share despite selling only for cash. But it did so at a large cost.

Again, margin suffered (it has been steadily deteriorating over the past four years) and pre-interest profit fell by a fifth — partly because cash generated by operations was lower, partly because about R500 000 more was spent on fixed assets and net interest received fell even though interest-bearing debt was reduced.

Stock, financed by creditors, increased by R2m, resulting in a slower stock turn of 4 (1992: 4,4). Yet chairman Eugene Theron is undaunted by trading conditions. He is proceeding with the expansion of facilities that will involve capital spending of another R2m, to be funded, he says, by profit arising from additional turnover generated from the enlarged sales area.

Over the past five years, Tafelberg has grown turnover at a compound 14% a year,

FM 17/9/93



slightly below average inflation of about 15%. That's not bad compared with the way the furniture industry has fared. But pre-interest profit has fallen at a compound 13,4% a year and EPS have dropped by 5,1%. That is hardly a trend to encourage investment in the share.

This organisation has three outlets strategically sited in Bellville, Paarl and Cape Town and has developed a loyal customer base which, in the hands of a larger group, could be greater than the goodwill reflected in the present p:e. Its net worth is considerably above the share price. So it could offer a takeover target.

Theron says that, for internal planning, it's being assumed 1994 EPS is unlikely to exceed that of 1993. Even with another set of indifferent results on the cards, any predatory action should boost the share price. Otherwise, the share is unlikely to be rerated soon.

Gerald Hirshon

Pick 'n Pay to launch first franchise store

ALG 14/9/93 (30)

Business Staff

DURBAN. — After a mini-battle between supermarket chains, Pick 'n Pay is to launch its first franchise store in Natal as a "totally new experiment", chairman Raymond Ackerman said.

However, he emphasised that the new franchise at the former flagship Hofmeyr Heights (Westville) store — which Spar had shown an interest in — should not necessarily be seen as a "prototype" for a future chain of franchise locations.

There has been speculation that Pick 'n Pay is planning a franchise chain throughout South Africa.

Mr Ackerman said he is not yet ready to disclose any details about "an exciting new venture" for the chain.

"All I can say is that our group is working on something new ... quite revolutionary."

He said Westville developments flowed from the opening of the huge new Pavillion centre into which Pick 'n Pay is to move its Hofmeyr Heights store.

The store has importance because it was the first in Natal and is located beneath Pick 'n Pay's Natal headquarters.

Pick 'n Pay's general manager (supermarkets) Mike Limbouris said the store had been sold to an independent trader who at the time had been promised a Spar franchise.

However, two weeks ago, Spar had turned down the franchise because Buxtons (which has a Westville store). objected.

The independent was told he could open a Spar franchise only in partnership with Buxtons.

Mr Limbouris said he had doubted the independent's ability to make a profit on this basis.

Given the "track record" of the trader, and Pick 'n Pay's emotional attachment to the store, it had been decided to try out a new franchise scheme.

He stressed the shop would not belong to Pick 'n Pay.

Staff would be employed by the trader, whom Pick 'n Pay declined to name at this stage.

Pick 'n Pay would allow the trader to use its bulk buying power and would pay his suppliers.

Spar's development manager Jimmy Papadopoulos would not comment.

Pick 'n Pay started with four small supermarkets in Cape Town in 1967.

Today the store count stands at 107 supermarkets, 14 hypermarkets, 11 Boardmans stores (household goods), eight Price Clubs (wholesalers) and the three Chain Reactions (clothing stores).

Several million rands will be spent on expansion this year, with two new stores in Durban one in Somerset West and one in Johannesburg.

Price Clubs are planned for Kimberley, Rustenburg and Nelspruit.

APPOINTMENTS

Vernon Moore, managing director, Mustworks (Pty) Limited.

Susan Holdsworth, sales executive: new cars, Market Toyota, Diepriver.

FM 26|11|93 (30)

CHRISTMAS TRADE

Shining brighter

The good times aren't rolling yet but those who cater for Christmas shoppers expect them to dig a little deeper into their pockets this year and boost turnover by at least a few percent in real terms compared with last year. FM 26|11|93

Pick 'n Pay chairman Raymond Ackerman is "quietly confident" that sales could be up 1%-2% in real terms on last Christmas. He bases this on October and early November sales being better than expected, as well as on his perception that "though things are still tight, there are definite glimmerings of increased purchasing power." He says toy sales, for example, are at least 10% up in real terms on last year. (30)

"People are definitely more confident now than they were last year. Some of the money they're spending is from savings being released and from the drop in interest rates increasing their disposable income."

Shoprite-Checkers MD Whitey Basson is also optimistic. "We're planning to gain market share, so I think we should have a good Christmas even though sales don't indicate a bumper Christmas and there aren't any signs yet of a major recovery of the economy."

Ross Heron, MD of Tek Corp's Defy Appliances Division, which manufactures white goods such as stoves, refrigerators and washing machines, says this will be a good Christmas and growth in real terms will be 2%-3%. Like Ackerman, his indicator is good sales in October and November when "those who ran a tight ship did well" even though prices were under pressure.

The industry, he says, is now reaping the benefits of Eskom's electrification of 200 000 houses a year, which is set to jump to as many as 500 000 a year. This is translating into a windfall of first-time buyers of stoves and refrigerators. This, in turn, means that the industry's volumes have risen 7%-8% on last year and turnover is up 2%-3%.

The industry is also benefiting from having held increases to below the inflation rate for 10 years, which kept sales ticking over in the replacement market. Heron also expects this market to surge "because there is a limit to the length of time replacement can be delayed."

Frans Jordaan, executive director of the Furniture Traders' Association and director of the Radio & TV Manufacturers' Association, says the retail furniture trade also picked up significantly last month. That makes him "reasonably optimistic we'll have a good Christmas, that total sales of furniture and household requisites will be between R1,45bn and R1,5bn, which, after allowing for inflation, should be 1%-2% more than last year's R1,3bn."

Much of this growth will come from increased sales of electric appliances, once again because of the stepped-up electrification programme.

Jordaan expects that TV sales will just cover inflation, but that sales of audio equipment will drop. "That market is saturated. The introduction of CDs gave it a boost, but it has now absorbed nearly all the CD equipment it needs. Instead of merely buying CD players, many bought entire units so they won't be coming back for a long time."

It won't be a merry Christmas for the motor industry, says a spokesman for the National Association of Automobile Manufacturers of SA. He interprets the 4% drop in car sales in October, compared with September, as a clear indication of sales softening (though monthly sales have been up for most of the year when compared to the same month last year). And, he complains, "it may go through to December, which, in any event, is our worst trading month. We aren't expecting much of an improvement on the 13 500 units we normally sell in December.

"The plants cut production from mid-December to the end of the first week in January so there's no stock, which doesn't really matter because there aren't many customers. Most of our customers are on holiday anyway, which also doesn't really matter because it's only half a trading month due to the public holidays and everyone who isn't on holiday being in a holiday mood."

Bah humbug! ■

SAB determined to revitalise OK

Star 26/11/93

BY STEPHEN CRANSTON

SA Breweries and OK chairman Meyer Kahn last night admitted responsibility for the OK's problems.

In a presentation to the Investment Analysts' Society, Kahn said that the OK had suffered from bad focus, bad luck and a bad environment.

SAB had been happy to maintain the OK in intensive care, as it was such a small contributor to the group bottom line, but in the last couple of years it had "croaked on us".

SAB, however, was determined to resuscitate it, recapitalise it and get it right.

Kahn defended SAB's policy of diversification from beer.

He said that in the last seven years, the beer division had increased earnings at a compound rate of 22,1 percent, the rest of the group at 19,4 percent.

"We have made mistakes but they have been far and away outweighed by our successes," Kahn said.

On SAB's recent investments, Kahn said there was enormous scope for expansion at Tanzania Breweries, in which SAB recently acquired a 50 percent stake.

He predicted that SAB would increase output from 300 000 hectolitres to 10 million hectolitres in 10 years. This was feasible as Tanzania now had a population of 30 million.

South Africa, with 35 million "throats", consumed 23 million hectolitres a year.

The Kobanya Brewery in Hungary, acquired earlier this month, supplies two-thirds of Budapest's beer demand and 35 percent of the demand in Hungary. (30)

There was considerable scope for exports as Hungary was close to Romania, the former Soviet Union and other growing markets.

SAB's first task was to modernise the brewery's "stone age" production facilities and to fix product quality and distribution.

Kahn was not too concerned about the emerging competition from NSB and from Pepsi for its soft-drink bottler ABI.

He said he had seen more Pepsi in the newspapers than on the shelves.

He said SAB had no intention of handing over market share to the black-owned brewer NSB in order to satisfy public opinion.

"We will continue to be an internationally competitive world-class, low-cost producer of beer and will continue to add to our range, satisfying the tastes and aspirations of the broader population.

"The public must judge whose beers they want to buy."

'Business can help curb extremists'

CT 27/11/93

Business Editor

30

BUSINESS has an important role to play in helping SA to avoid the two extremes of "right wing-generated instability and rampant populism", Lawrence Schlemmer of the Human Sciences Research Council (HSRC) said at Sanlam's headquarters in Bellville yesterday.

He was speaking at an update of the Platform for Investment research project carried out by the HSRC and economist Mike Brown of stockbroking firm Frankel, Pollak, Vinderine.

Research carried out for the HSRC and the MarkData Omnibus survey, quoted in the Platform for Investment report, shows that the ANC alliance is now expected to poll 64% of the votes in the April election.

The MarkData survey suggests that the Freedom Alliance could come in second with 18% while the National Party polls only 15%. But the HSRC research showed the NP with 18% of the vote and the Freedom Alliance with 14%.

Both surveys put Inkatha Freedom Party support at 10% and said the PAC and DP had minimal support.

Pointing out that there is still some time to go before the election, and a great deal can be said and can happen before then, Schlemmer said it was important to remember that "we haven't stopped negotiations, and further negotiations are possible even after the April 27 elections.

"Business cannot relax now. We must act as facilitators as we have done in the past, to keep the parties talking — and this must be extended to the right wing parties."

Business must promote effective federalism and, in particular, promote innovative administration in the provinces which would keep costs down.

Administration by the provinces could be cheaper than by a central government. The provinces would compete to be the most efficient because they would be compared with each other.

They would also compete for investment and this would encourage growth.

BARNETTS FM 26/11/93

For jobbers only

Activities: *Retails furniture to middle and lower income groups, trading as Barnetts and ABC.*
Control: *Directors 43%.*
Executive chairman: *M M Lewkowski; MD: B Pillay.*
Capital structure: *13,8m ords. Market capitalisation: R4,8m.*
Share market: *Price: 35c. Yields: 7,1% on dividend; 30,6% on earnings; p:e ratio, 3,3; cover, 4,3. 12-month high, 50c; low, 25c. Trading volume last quarter, 85 000 shares.*

Year to June 30	'90	'91	'92	'93
ST debt (Rm)	7,9	5,0	3,3	8,2
LT debt (Rm)	1,4	0,8	1,8	2,1
Debt:equity ratio	0,57	0,20	0,25	0,33
Shareholders' interest	0,38	0,41	0,40	0,36
Int & leasing cover	2,3	2,7	3,1	2,6
Return on cap (%)	10,6	10,2	6,8	6,6
Turnover (Rm)	50,0	52,7	63,6	87,9
Pre-int profit (Rm)	4,6	4,4	3,2	3,9
Pre-int margin (%)	9,1	8,3	5,0	4,5
Earnings (c)	9,9	13,9	12,6	10,7
Dividends (c)	—	2,5	3,5	2,5
Tangible NAV (c)	122	128	136	156

(30)

A 38% rise in turnover and a 14% dip in earnings seem to attest to a collapse of margins but the picture is not all that bad. Pretax profit rose by almost R400 000 but, with the exhaustion of assessed losses, the effective tax rate leapt from 26% to 46%. Moreover, almost all that is a deferred tax provision and so no drain on cash flow.

Quality of earnings

Barnetts provides fully for deferred tax; hence the quality of earnings is higher than for some competitors. It also took the deferred tax gain from the reduction in the corporate tax rate, equal to about 11c a

FM 26/11/93 (30)

the results "satisfactory" in the circumstances, mainly thanks to strategic expansion into neighbouring States.

At the halfway stage, six-month EPS rose from 7,5c to 8,7c and the interim report hoped for an increase in annual earnings. But second-half earnings seem to have been only 2c, against 5c in the second half of the previous year, though that in part reflects a higher tax charge.

Nonperforming stores

Three nonperforming stores in SA were closed and six others opened in neighbouring territories, with a further three (two in Botswana and one in Bophuthatswana) planned by end-December. No further expansion is projected this year.

Lewkowski says store openings pushed up stocks and thus borrowings (which rose for the first time in three years) and interest paid.

The preliminary report said opening costs also hit margins. The 37% rise in stocks is almost exactly in line with turnover, but financial ratios, though still reasonable, did deteriorate slightly.

The report cites neither the number nor the location of stores, an omission all the more regrettable in view of the growing importance of business outside SA. Oddly, more information was given in the preliminary statement, which said there are 33 stores in SA, six in Bophuthatswana and nine in "neighbouring territories" (presumably mainly Botswana).

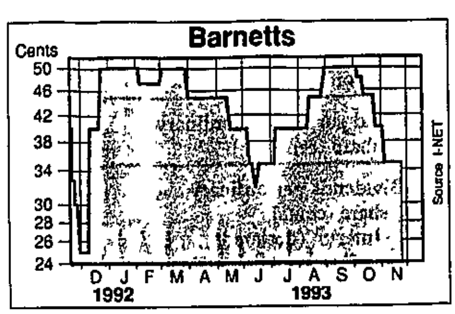
In the present uncertainties, Lewkowski finds it impossible to make any meaningful comment on the outlook for this year, though he hopes the "increased focus of the management team" and tighter controls being put in place will go a long way to counter the negative environment.

The earnings and dividend record is erratic — dividends have gone up three times and down three times in the past six years — and, by coincidence, the 35c share price is what it was when the *FM* reviewed the 1991 and 1992 annual reports.

This hardly suggests the share has been a rewarding investment, except to short-term jobbers.

Looking purely at the 1993 figures, it might appear undervalued but any rerating is unlikely until a more consistent record is established.

Michael Coulson



Nafcoc road to prosperity

A future South African government faces political and economic difficulties. Meeting the high expectations of the people who voted it to office is sure to be a formidable task, says National African Federated Chamber of Commerce second vice-president GABRIEL MOKGOKO, (right). This is an edited version of a speech he gave at a dinner hosted by affiliate Inyanda Chamber of Commerce in Durban last weekend.

C/Press 28/11/93

ONE of the duties of Nafcoc is to produce innovative policy proposals designed to redress past economic injustices.

Among these are preferential policies favouring blacks, which, at the same time, will avoid shortchanging formerly advantaged groups.

In effect, whites will continue to do business in accordance with the existing legislative environment. Preferential policies, however, will apply to the historically less advantaged, precluding them from legislation which interferes with voluntary business.

The crux of the proposal:

■ Whites continue for 10 years to do business under existing regulations, with its high taxes, tariffs, exchange controls, licensing laws and the myriad of prohibitions on trading and other activities. No additional burdens are placed on them.

■ Blacks on the other hand are totally exempt from this web of controls, which is not of their making.

The purpose of this policy is to allow blacks a comparative advantage, giving them 10 years of the most advantageous business conditions possible, as a means of righting some of the wrongs of the past.

If blacks should decide to go into business with whites, they will have to maintain a majority participation in the business if they wish to benefit from the exemptions. For instance, blacks will have to have at least 51 percent of the shares and a majority of the seats on the board of directors of a company.

Another option is that all formerly disadvantaged areas be declared Economic Development Areas (EDAs), in which residents and businesses will be given significant exemptions from economic regulations and taxes.

The primary purpose is to create a comparative advantage for people living and doing business in these areas. This measure will provide opportunities that will far exceed anything that can be produced on a forced transfer basis.

A great advantage is that the people will identify and utilise the opportunities themselves and will not have to wait for government handouts – an inefficient transfer method at the best of times.

What is the logic of this proposal:

■ It is a temporary expedient (10 years).

■ The playing field will be tilted radically in favour of blacks.

■ Whites will go out of their way to work with blacks without being compelled to do so.

■ Blacks will be placed at the helm of a rapidly growing economy which will reduce poverty, unemployment and backlogs.

■ A rapid and spontaneous restructuring and total transformation of the economy will occur. (80)

■ Whites will be no worse off than they are now.

■ The high expectations for rapid change will be adequately catered for.

■ Justice will be seen to be done.

■ The international community is unlikely to see the policy as punitive.

■ Whites are likely to accept the policy.

■ The policy is unashamedly racist, recognising that the damage caused by past racism cannot be assuaged without in some way reversing the process.

The proposal would appeal to many and is better than trying to wring inadequate resources out of reluctant whites which is likely to increase racial tension.

With regard to the protection of property in a Bill of Rights, blacks should enjoy stronger rights than their white counterparts in terms of expropriation.

Blacks will be exempt from all land use laws and regulations. These include laws pertaining to subdivision of agricultural land, zoning laws and building regulations. The only restriction on land use which will apply to blacks will be the common law.

Black farmers should have freedom of association with agricultural marketing boards.

Blacks will be exempt from all laws relating to mining licences, mining leases and the lease formula.

Agricultural land is presently protected against subdivision. Blacks would be able to buy farms (without paying transfer taxes) and subdivide this land into smaller parcels for sale as smaller farms, residential sites, industrial land and so on.

Blacks would be able to build without complying with building codes and restrictions except those concerning safety.

"Black" companies would have a majority of black shareholders (51 percent) and a majority of black directors. Such companies would be exempt from company taxes and would also qualify for all the exemptions available to individuals.

Blacks will be exempt from import duties, excise duties, tariffs, income tax, stamp duties, and a multitude of similar taxes. Black owned businesses will be exempt from registering for VAT.

Blacks will be exempt from all exchange controls and currency restrictions. They will be entitled to hold accounts at local or foreign banks in currencies of their choosing.

Blacks will be exempt from all licensing laws and would be able to enter into business without having to comply with legal formalities. They would not be debarred from doing any work which they are competent to perform because they lack certification.

Steps will be taken to ensure that laws necessary to govern corporations, property rights, financial institutions, stock markets and the airwaves do not continue to protect vested interests at the expense of blacks.

SA 'not looking for handouts'

BLACK people in South Africa "are not looking for handouts" rather an equal opportunity to compete in business said director of the Institute for multi-party democracy Mr Oscar Dhlomo at the energy conference dinner last night. (30) CT 30/11/93

Addressing as he put it the people "shaping the oil industry in Africa" he said that "we must ensure that the stage is reached where black and white enter into joint ventures (in South Africa)".

"Blacks must participate," he warned otherwise free-market principles may be abandoned.

Small businesses seek a bigger role

S/Times (Buss)

By CIARAN RYAN

A FEDERATION of employers representing nearly 1 000 small businesses and several thousand employees was launched in Cape Town this week to lobby for deregulation and "free and open competition". 2/12/93

The Federation of Independent Business Associations of SA (Fibasa) says there is an urgent need for such an association to prevent future economic policy being determined by big business and labour.

Founding member David Matthews says studies show that most new jobs are created by small businesses, but this lobby is not represented in the National Economic Forum or any of the other bodies formulating economic policy.

The federation is seeking representation on the NEF and National Manpower Commission "to promote an open, competitive economy in the face of the special pleading taking place in those forums.

"This economy has been milked and stunted by powerful vested interests and the danger facing all South Africans today is that one set of controlling vested interests will merely be replaced by another."

"Government, big business and labour are currently negotiating a heavily regulated economic system which will favour the vested interests and protect them from free and vigorous competition in an open market," he says. (30)

While the Small Business Development Corporation had lobbied aggressively for deregulation over the last 13 years, it was perceived in some quarters as being too close to the Government, hence the need for an independent lobby.

Store closures as Bergers tips R2,9m into loss

CT 1/10/93

Deputy Business Editor

DETERIORATING trading conditions pushed Bergers Trading Holdings into the red for the six months to end June 30.

The Cape-based clothing company reported a loss of R2,9m equivalent to 34,1c a share of the first six months against a R1m profit for the corresponding period last year.

Chairman Howard Mauerberger said the effect of the R18m rights issue which closed on June 30 had not been reflected in the results. "If the funds had been in the business for the full trading period, the loss would have been reduced by R1,45m.

He said 20 loss-making stores in the 280-store network of Bergers, Hilton Weiner and Jones outlets would be closed.

"The group would have been in a break even situation if these stores had not traded at all in 1993 and if we had enjoyed earlier the saving in interest from the rights issue."

He said the company generated most of its income in the second half of the year and was expecting to trade profitability although trading conditions were expected to remain tough.

● Holding company Bergers Group Ltd which derives its income from its 94,1% holding in Bergers Trading Holdings, reported a loss of 68,3c a share compared with earnings of 23,8c a share for the corresponding period last year.

Going after the bad guys

FM 26/11/93

The Business Practices Committee was not greeted warmly when it began back in July 1988. Critics argued that its far-reaching powers would lead to price controls and wage freezes at a time when government was supposedly committed to deregulating the economy. The Free Market Foundation described the Act setting it up as the "type of legislation one would expect to find in the worst banana republic."

But with a host of public rip-offs amounting to hundreds of millions of rands being uncovered regularly — the milk culture saga was probably the final straw — government decided that consumers needed additional protection over and above the expensive and often inaccessible court system, protection that was already available in the US, UK, Australia and elsewhere.

The new committee was given the power to investigate any agreement, practice, scheme, operation, arrangement or understanding that it believes is a harmful or potentially harmful business practice. Its brief also included the right to search premises, seize documents and to recommend to the Minister of Trade & Industry that a business practice be stopped. Contravening the Minister's order carries a maximum penalty of R200 000 and five years in prison.

More than five years later, much of the furore has died down. Says Ken Warren, the SA Chamber of Business's director of legal affairs: "We support the work done by the committee and we believe its success has been largely due to the calibre of its seven members and the fact that it has had a strong private-sector representation. All the complaints we have referred to them have been dealt with promptly."

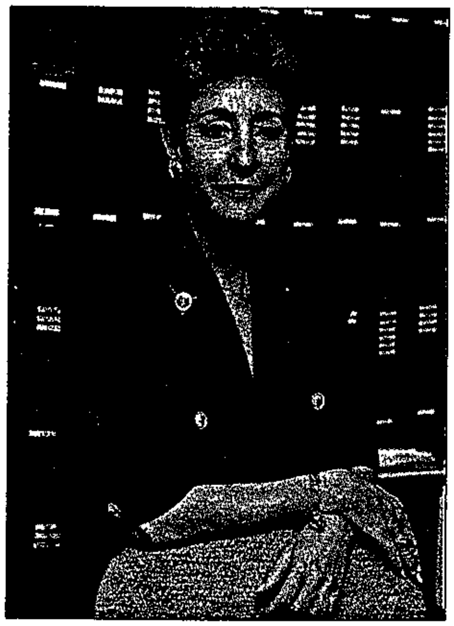
However, Free Market Foundation executive director Leon Louw remains wary of the committee's wide authority. "The committee's only saving grace is that it is chaired by Louise Tager." He's concerned that someone less learned, ethical and pro-free market could use the committee to shut down any business on a whim. He would prefer to see the committee prosecute an offender through the court system and make use of interdicts to stop any existing or potential harm. "We need laws that are more tranparent and less dependent on the benevolence of power."

Tager insists that the committee's powers don't detract from any other legal remedies. "The consumer can still institute a civil action for damages against a party that has defrauded him or caused him loss. A criminal charge can also be laid."

But she points out that even if the defrauder is found guilty, there is little satisfaction for the consumer when the court fines or imprisons the wrongdoer. "The consumer's loss is simply not compensated." She stresses that the committee won't undertake an investigation unless there is a possibility of harm to the consumer. The party under investigation has the benefit of a full hearing and the committee's findings, with reasons, are made available. "Anybody who acts any differently would be exceeding the parameters of the Act." (30)

But while speculation about the committee's future — as with the rest of the legal system — continues, it's clear there's a demand for its services now. By the end of last year, the committee had received 527 complaints and instituted 28 full investigations; many of the complaints are sorted out simply through an informal discussion.

Tager agrees that she's understaffed but says there's simply no point in asking for greater resources when the State can't afford more. Still, in recent months the committee's been given more teeth.



Tager ... *going beyond the court system to protect consumers*

A recent amendment allows the committee to attach money or property related to the investigation and prohibit the person under investigation from dealing with the money or property concerned. The Minister, on the advice of the committee, also can appoint a curator to oversee the business, sell the assets and distribute the money among the victims.

Says Tager: "This power is intended to address the situation where the committee has recommended that a business be stopped, thus preventing further harm to consumers, but has been unable to redress losses already suffered. Parties under investigation are often in possession of valuable assets. For example, Riaan Coetzee of Truckor, who took around R20m from consumers for trucking contracts that never materialised, was in possession of 20 luxury cars that the committee could not touch when his business was stopped."

Another amendment allows the Minister to issue a temporary order to stop a business practice for six months while the committee investigates. Previously, activity could only be halted for three months.

The most far-reaching amendment, though, is one that allows the committee to proceed with a preliminary investigation — seizing documents — without giving notice in the *Government Gazette*. Says Tager: "The notice had the effect of prejudicing the business in the public eye before an investigation was started. In any event, a preliminary investigation often ends there and doesn't lead to a final investigation."

Looking back on the committee's work, Tager says the area of greatest exploitation appears to be taking place through the sale of shares and debentures in public unlisted companies. "Thousands of small investors are persuaded to invest their life savings in shares that will in all probability never amount to anything." The problem is that shares in a public unlisted company are usually sold without a prospectus. The promoters argue that the sale is a private placing, therefore no prospectus is required.

"It is our view that the sale of shares to the public without adequate disclosure of information on the financial position of the company could constitute a harmful practice. Similarly, the sale of debentures in unlisted companies without a prospectus, in the case of Supreme Bond and others, constituted a harmful practice, particularly since they were sold to repay old debentures that were due, a purpose not disclosed to the public."

Tager says an increasing number of complaints have been received against people who liquidate their companies and immediately resume business under a new name.

Tager also says she's warned the public to beware of investing without adequate financial information about the company, but that a major problem is the abuse of the Companies Act. "The public perception is that statutory protection comes automatically with a public company. But statutory protection is a myth — who polices the statute?" She favours a dramatic revision of the Act.

On the other hand, Tager is happy about the committee's success in encouraging self-regulatory bodies in several industries to have their internal codes of conduct approved by the committee. Codes already are approved for the furniture, motor, advertising, timeshare and vehicle-recovery services industries. Codes for the building, travel and beauty sectors are being prepared.

Says Tager: "Codes contain norms and standards by which that particular sector has chosen to discipline itself. A code is, therefore, not a regulation imposed by government; it consists of the standards identified by fellow businessmen."

FOSCHINI

FM 26/11/93

Still in fashion

In a remarkable first half, when — with the odd exception — most other retailers have been despondent about their markets, Foschini's EPS have risen 37,4%. In this subdued economy it is an outstanding result, though below the group's annual compound growth rate of 43% in interim earnings since 1987.

GOOD MIX

Six months to	Sep 26 '92	Mar 31 '93	Sep 25 '93
Pre-interest earn (Rm)	n/a	n/a	n/a
Pre-tax prof (Rm)	73,9	121,5	88,3
Attributable (Rm)	38,8	64,5	53,3
Earnings (c)	85,2	147,8	117,1
Dividends (c)*	88,9	142,7	115,3

* Scrip dividend only.

MD Clive Hirschsohn says turnover (not disclosed) rose 17,8% as the Foschini chain, Markhams, Pages and Sterns all traded well. An exception was American Swiss which experienced a soft patch during three of the six months. ([illegible]) (30)

Management was again able to enhance productivity, as shown by the 19,5% rise in pre-tax profit. Other than increasing unit prices — a risky marketing practice when

FM 26/11/93

competition for market share is intense — this was the only way to magnify margin enough to lift operating profit faster than turnover.

Hirschsohn reckons this successful result was derived partly from the mix of stores and their positioning throughout SA. Advertising and marketing promotions run by the divisions in the larger metropolitan areas have paid off. Lack of competitors in smaller country towns allowed the group to capture a larger share of disposable income in those areas. Foschini's credit facilities give it a distinct advantage over cash-based businesses. ([illegible]) (30)

Pre-tax profit was also boosted by a lower interest charge, following repayment of debt. This interim marks the seventh occasion that scrip dividends are being declared. During fiscal 1993 this practice added R102m to cash flow, saving about R10m in interest payments. In fiscal 1994, these savings could be larger.

Hirschsohn is optimistic about prospects for the second half. After a moderate 12-store expansion in the first half, the pace of new store openings is being stepped up; there were 15 in October. All the divisions are trading well. The interim scrip dividend is one new share for every 56 held.

The share price is again at an all-time high of R75. The question is whether it will, in chartist jargon, form a "double top" or whether the price will set new highs. The share's long-term bull trend is intact and Foschini's compound annual growth of EPS of 25,6% over five years suggests it will rise further unless the market collapses. *Gerald Hirshon*

Morkels earnings up 15%

Own Correspondent (30)

CT 26/11/93

JOHANNESBURG. — Furniture and sports goods retailer Morkels lifted its attributable earnings 15% to R630 000 (R554 000) in the six months to September as lower taxation helped boost a pedestrian trading performance.

Though turnover slipped to R141,4m (R143,3m), MD Carl Jansen said pursuing market share would have sacrificed margins, contradicting its plan to build and maintain profitable trading margins while restricting growth in working capital.

Operating income dropped 26% to R7m and the interest bill was slashed 30% to R6m. Jansen said this reflected the effect of sales to selected customers, which were financed by loans from certain suppliers.

"Although there is a sacrifice of finance charges which would have been reported in operating profit, there is a saving in interest through not having to fund debtors from interest bearing debt."

Pre-tax profit, which Jansen said reflected the only true comparison of trading performance, was maintained at R1,1m.

Gearing

A significant fall in taxation — and no liability for secondary tax on companies — enabled the company to show a 15% rise in earnings a share to 1,5c (1,3c). But trading uncertainty over the next six months prompted Morkels to hold its interim dividend.

Gearing dropped to 113% against 120% at the March year-end following a reduction in debtors' funding, improved merchandise management and minimal capex.

Trading in the first few weeks of the third quarter — a critical period on which full-year results hinge — had "shown a welcome increase in activity". If this trend continued, Morkels would meet its full-year target of 25% earnings growth.

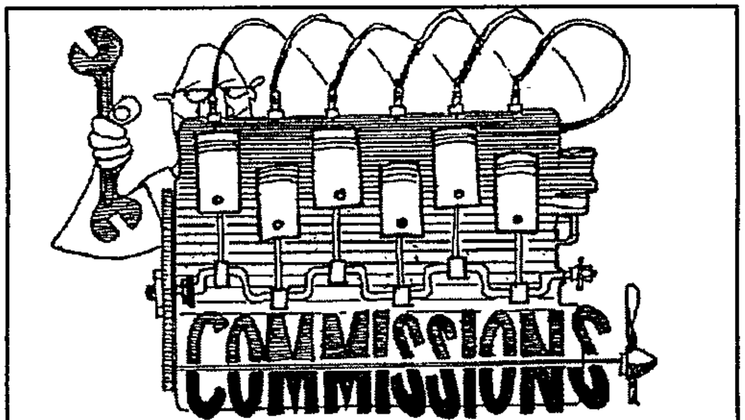
Jansen said the second quarter improvement in credit demand at the lower end of the furniture market was surprising, and did not filter through to Morkels' or Totalsports' middle income customers.

He said second-half trading conditions may be affected by SA's volatile sociopolitical situation and consumer confidence may be destabilised in the run-up to the elections.

South 26/11 - 30/11/93

WCEDF aims to develop Cape

30



MEETING the development challenges of the Western Cape is no small task, but the Western Cape Economic Development Forum (WCEDF) has set its sights on doing this.

The forum, which has broad-based support, hopes to establish the basis for sustainable development in the region through devising strategies on the basis of consensus, identifying priorities and engaging in action-oriented work.

The WCEDF, launched in December last year, is the most representative forum in the region.

It has the active support of key metropolitan stakeholders — business, labour, local and regional authorities and political and community organisations, as well as development, service and funding organisations, central government and parastatals.

Together, these groups are devising appropriate development strategies and initiating and co-ordinating action aimed at building the Western Cape economy.

The forum would like to see sustained job creation, better education and training, urban development and economic growth and restructuring.

It has set up commissions to work on these key areas. These commissions are the forum's "engine room". Their work is co-ordinated by the steering committee and all the commissions report-back to a plenary of WCEDF members.

The Job Creation commission has been evaluating Western Cape applications for national funding for job creation projects. It intends conducting a "skills audit" in the region.

The information gathered will serve to guide work on training, vocational guidance and job placement.

Three critical areas of educational concern are literacy and numeracy, vocational training and organisational capacity building.

The Education and Training commission has met with literacy organisations in the Western Cape and moves are afoot to co-ordinate literacy programmes with a view to conducting a large-scale literacy drive in the region.

The commission is also looking at assisting community-based organisations to participate more effectively in the forum.

Export promotion, the creation of a tourist culture, support for small and medium sized enterprises, industrial growth and restructuring and attracting local and foreign capital investment are the tasks of the Economic growth and restructuring commission.

Two long-term commissions are the Urban Development commission and the commission on rural development and agricultural strategy.

The Urban Development Commission is drawing up guidelines for the development of a metropolitan government and the physical development of the city.

Underprivileged entrepreneurs are target

B/Day

JOHN DLUDLU

THE Islamic Business Development Corporation (IBDC) is targeting small business for development to create jobs in underprivileged communities, says the organisation.

GM Mohammed Bayat said yesterday the promotion of small and medium-size enterprises could generate employment with minimum investment. 26/11/93

Buoyant and well-managed small and medium-size enterprises had the potential for rapid growth, expansion and wealth creation for further investment. "They're also a source of innovation and new technology for the entrepreneurs," he said. (20)

Bayat said that between 10 000 and 25 000 jobs would be created by next year in the informal sector with the corporation's R5m budget.

Much of the money would be used for training, while the balance would be used for financial aid and infrastructural development.

Bayat said the corporation's financial aid programmes for business ventures were based on Islamic law and operated on a non-interest basis.

"One form of assistance is when a client needs equipment or some commodity. We buy it from a supplier and sell it to the client, who chooses to pay either in instalments or with a lump sum."

Another way was to enter into profit-sharing partnerships with companies. Losses are also shared on a pre-agreed percentage basis. Equipment was provided by IBDC, while the company was managed by the other party, Bayat said.

A partnership could also be created, with all partners providing capital. Partners participated equally in project management.

Financial aid would be given only to those projects deemed to have commercial viability.

Lower tax gives sluggish Morkels a small nudge

BDay 26/11/93

MARCIA KLEIN

FURNITURE and sports goods retailer Morkels lifted attributable earnings 15% to R630 000 (R550 000) in the six months to September as lower taxation helped boost a pedestrian trading performance.

Though turnover slipped to R141,4m (R143,3m), MD Carl Jansen said pursuing market share would have sacrificed margins, contradicting its plan to build and maintain profitable trading margins while restricting growth in working capital.

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(30)

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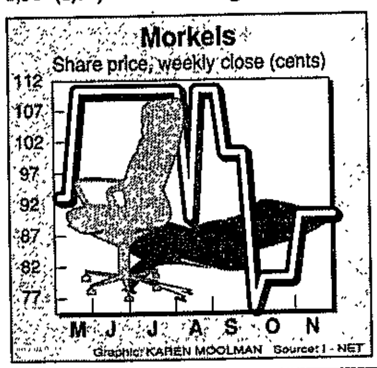

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OK's financial system 'must change radically'

BIDAY 25/11/93

MARCIA KLEIN

TROUBLED retail chain OK Bazaars needed the financial muscle of parent SA Breweries (SAB) to give relief in a structured fashion and to let it radically change its entire financial system, MD Mervyn Serebro said yesterday.

Financial director Geoff Kearney said SAB's loans to the OK totalled about R400m, although the amount fluctuated. While details of the OK's recapitalisation had yet to be announced, he said it would involve "converting some of that (funding) into something else".

Serebro said that since he took over on January 1, it had become increasingly evident that the debt burden was such "that the OK could not rely entirely on turnover growth and improved efficiencies to change the ratios relative to the debt".

In the first step toward recapitalising the OK, SAB would delist the retail chain, offering minorities R10 a share. The OK sustained a R39,9m attributable loss for the six months to September against last year's profit of R2,5m, and a R44,9m loss for the year to March.

"It is essential that we re-engineer that debt to shorten the recovery time," he said.

"This sort of surgery cannot be done with minorities in place." With OK's market capitalisation at just R84m prior to the delisting announcement, a rights offer would have raised only limited funds.

When Serebro relaunched the retail chain in May, he made clear his focus would be on marketing and low prices. While marketing and discounting remained major thrusts, the overwhelming priority was to rein in costs and to refinance.

Serebro said some of the re-engineering — like technology and implementing new systems — was costly, and the OK would struggle to justify these investments in the medium- to long-term future "when we are fighting for survival in the short term".

He said his strategy of discounting and increased marketing was right for the business. The OK had not produced the necessary volume growth, so it had to bring more people into the stores. The stores were well located and had a good support base, but needed to capture the younger customer.

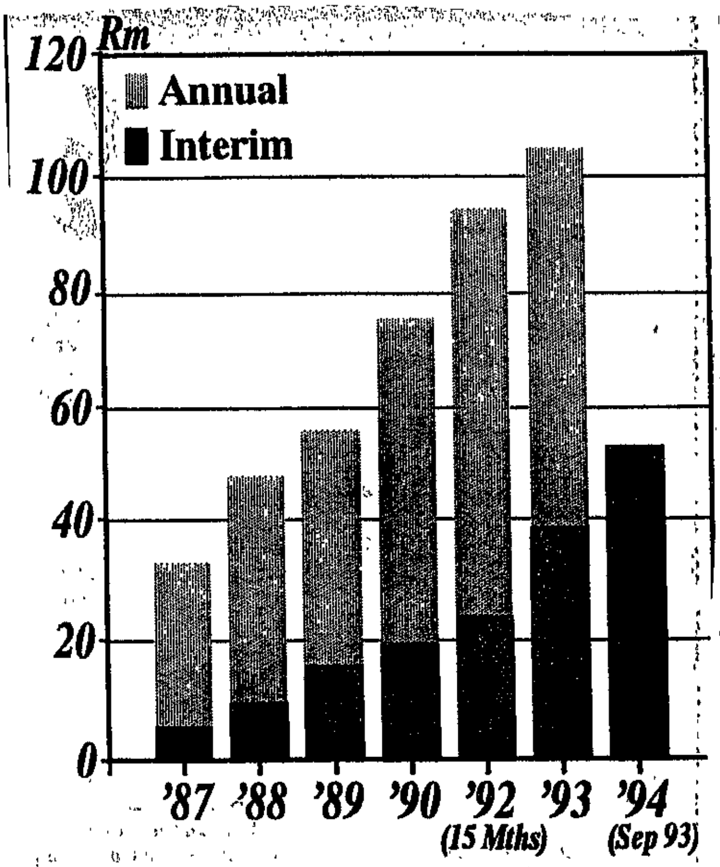
In the past six months, the OK had reduced its board by two thirds, removed layers of management across the business and reduced management in each division.

It had taken advertising — previously handled in-house — back to an agency, changed its image, talked to its supply network, rearranged departments and changed its method of procuring merchandise and was cutting business costs.

The company was 11 months into a three-year programme to overhaul its computer systems. It had also made substantial progress in industrial relations, settling wage talks in five days.

"Returning the business to profitability hinges substantially on addressing the cost-to-sell ratio, which in turn depends largely on the re-engineering with which we are presently engaged," Serebro said.

Although a return to profitability remained the short-term priority, the OK would still look at expansion. It had just completed research into opportunities in marketing and new stores, he said.



Compound growth rate of interim profit after tax from 1987 to September 1993 is 43,4 percent.

Foschini forges ahead with 37% earnings increase

Star 24/11/93

(30)

BY STEPHEN CRANSTON

Retailer Foschini continued to outperform its competitors with a 37,4 percent increase in earnings per share to 117,1c in the half-year to September 25.

For the seventh time, Foschini has issued a scrip dividend in order to conserve cash.

It will issue one share for every 59 held.

Turnover increased by 17,8 percent, which MD Clive Hirschsohn says shows that the economy is turning the corner.

Impetus

He expects the festive season to give further impetus to this trend.

Strong productivity levels were maintained and pre-tax profit increased by 19,5 percent to R88,3 million.

The new tax dispensation for companies brought the tax charge down 0,3 percent to R35 million.

There was little expansion during the year at store level.

Foschini operates five chains — Foschini, Markhams, American Swiss, Pages and Sterns.

Just 12 stores were added during the first half, but the expansion has been accelerated, with 15 stores opening in October alone.

The large number of openings last month was partly accounted for by the opening of two new shopping centres in the Durban area, in Westville and Phoenix.

All trading divisions performed satisfactorily, Hirschsohn says.

Sterns jewellers, acquired on April 1, underwent a consolidation phase while the business was restocked and restrategised.

It is now well placed to make a profit contribution in the second half.

Hirschsohn says the chain was very run down when it was acquired and the stock inadequate.

The flagship Foschini chain launched a new design in four recently opened stores.

There has apparently been an encouraging reaction to the more feminine, spacious and aspirational design elements.

Hirschsohn says customer-friendly features have been introduced such as softer woods.

The group balance sheet has been strengthened, with gearing down from 41,5 percent to 39,8 percent.

Bad-debt levels have improved compared with figures for September 1992.

Net asset value jumped from R8,38 to R10,96.

Hostility

After many years of hostility, British retailer Etam has appointed two Foschini directors to its board.

Foschini's associate Oceana owns 36,4 percent of Etam.

The two directors appointed are Foschini chairman Stanley Lewis and his son Michael Lewis.

Their appointment will lead to a sharing of expertise, knowledge and research, says Hirschsohn.

Foschini's pyramid Lefic increased earnings per share by 37,3 percent to 59,3c.

Foschini sews up 37% growth in earnings

CT 24/11/93

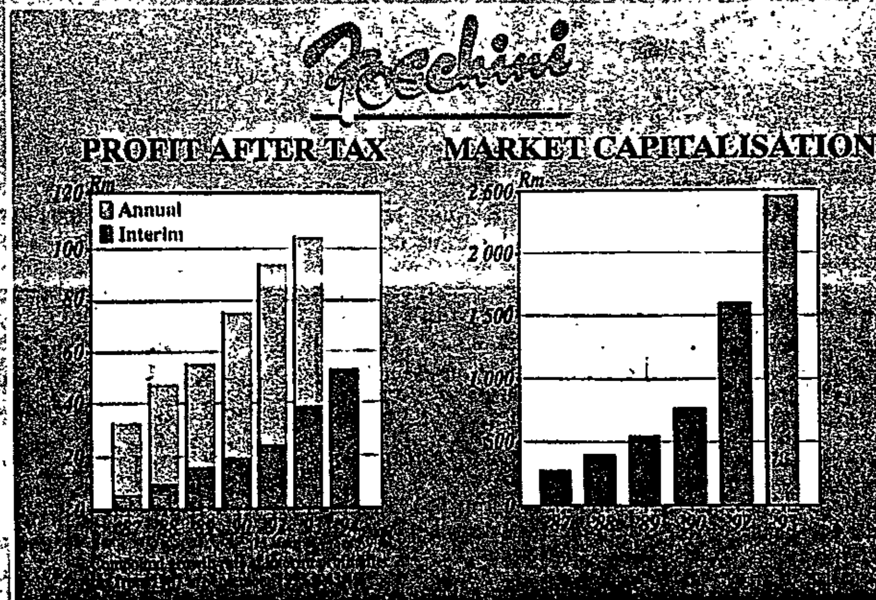
Tight cost control, lower tax delivers the goods

By AUDREY D'ANGELO
Business Editor

THE Foschini group lifted attributable income by an impressive 37,4% — from an already high base — in the 26 weeks to September. This was achieved on an increase in turnover of 17,8%.

But financial director Roy Norman said there had been no widening of profit margins. He said the higher profits were due to improved productivity and tight cost control.

The lower rate of company tax also helped to bolster after-tax income, which rose to R53,3m from R38,7m. Pre-tax income was 19,5% higher than a year ago, at R88,3m (R73,9m).



Earnings at share level rose to 117,1c (85,2c) on an increased number of shares in issue. There are now 45 504 196 issued shares compared with 44 421 214 at this time last year.

In line with a decision taken in July 1991, when the group bought a stake in Oceana Investment Holdings, the interim dividend of R52,4m will be in the form of shares.

It will be based on the ruling price of R68 a share on the day the dividend was declared. One new share will be given for every 59 held. Fractions of a share will be paid in cash.

The net asset value per share has risen to 1 096,2c from 838,1c.

In his interim statement MD Clive Hirschsohn said these results were "a welcome precursor to the remainder of the year as there are now signs pointing to the economy turning the corner.

"The festive season will hopefully give further impetus to this trend."

Hirschsohn said all five trading divisions — Foschini stores, Markhams, American Swiss, Pages and Sterns — had performed satisfactorily.

Sterns, bought in April, "underwent a consolidation phase while the business was restocked and restrategised and is well placed to make a profit contribution in the second half."

After "a moderate expansion of 12 new stores during the review period the pace will be stepped up during the second half year. During October alone 15 new stores were opened."

Roy Norman said there were no signs from current trading patterns that the upturn had started.

"The volume of sales is not there yet. A rise of 17,8% is not very much for us.

"But the macro-economic signs suggest that the recession has ended."

Norman said that about 50% of group customers were now black and this proportion was expected to rise as incomes improved.

Discussing plans to move into Africa, he said the group was already well represented in Namibia and was looking at Botswana and possibly Malawi.

Fillip for pension fund deficits

CT 24/11/93

IN a move to bring all government debts on balance sheet, government is to issue stock to cover pension fund deficits and losses on forward cover.

No funds would be raised on the capital market, but R6,9bn of interest-bearing paper will be issued directly to government pension funds to cover the deficits and to provide for retiring MP's pensions following a deal at the World Trade Centre.

The stock will be issued to fund existing shortfalls and new obligations arising from the transition. It is understood the amount of R6,9bn was agreed on during meetings at the World Trade Centre.

Legislation tabled in Parliament also envisages the issuing of government stock worth R9bn to cover losses accumulated in the Gold and Foreign Exchange Contingency Reserve Account. The stock will be issued to the Reserve Bank to bring on balance sheet government's debt to the Bank on forward cover losses.

More finance on pages 15 to 17

Unblushing Nafcoc boss moots 'racist' plan

BDAY 24/11/93

THEO RAWANA

NATIONAL African Federated Chamber of Commerce (Nafcoc) vice-president Gab Mokgoko has proposed an "unashamedly racist" 10-year economic programme that would leave whites operating under existing laws while exempting blacks from laws that left them at a disadvantage.

Addressing the Inyanda Chamber of Commerce in Durban at the weekend, Mokgoko said the advantage of the "compensatory preferential policy" would be that, while tilting the playing field in favour of blacks, it would avoid taking punitive action against whites.

Whites' punishment would be that they would continue to be subject to the legislative environment they had created — and no worse off than they were now. "The preferential policies for all others (the victims of apartheid) will be in the form of exemption from all economic legislation that interferes with any voluntary exchange they may wish to engage in."

The crux of the proposal was that:

- Whites would, for 10 years, continue to function under the existing regulatory regime, with its high taxes, tariffs, exchange controls, licensing laws "and the myriad of prohibitions on trading and other peaceful activities. No additional burdens are placed on them"; and
- Blacks would be exempt from "this web of controls that was not of their making", including the taxes, tariffs, exchange controls and licensing laws.

(30)

Mokgoko said this policy was in line with Nafcoc's 10-year programme demanding that blacks make up at least 30% of JSE-listed companies' boards, 40% of share-

To Page 2

Nafcoc

BDAY 24/11/93

From Page 1

holders, 50% of suppliers of outside purchases and 60% of top management.

"The purpose of this policy is to allow blacks a comparative advantage, giving them 10 years of the most advantageous business conditions possible, as a means of righting the wrongs of the past. If they decide to go into business with whites, they will have to ensure that they maintain a majority participation if they wish to continue to benefit from the exemptions."

Another strategy was to declare all formerly black areas "economic development areas" in which residents and businesses would be given significant exemptions from economic regulations and taxes.

"The primary purpose is to create a comparative advantage for citizens living and doing business in historically disadvantaged areas. This measure will provide opportunities that will exceed anything that can be produced by a forced transfer."

An added advantage was that people would identify and utilise the opportunities

(30)

~~themselves and would~~ not have to wait for government handouts, "an inefficient transfer method at the best of times".

Mokgoko said the policy would radically tilt the playing field in favour of blacks and would have whites going out of their way to work with blacks without being compelled to do so. It would be a rapid and spontaneous restructuring and total transformation of the economy in which blacks would be placed at the helm of a "rapidly growing" economy which would wipe out poverty, unemployment and other backlogs.

"The policy is unashamedly racist, recognising that the damage caused by past racism cannot be assuaged without in some way reversing the process," Mokgoko said. The policy was far better than trying, on a punitive basis, "to wring inadequate resources out of reluctant whites, resources that are insufficient to satisfy the demands for reparation — causing white flight and increased racial tensions".

Foschini delivers a robust report

B/Day 24/11/93

LINDA ENSOR

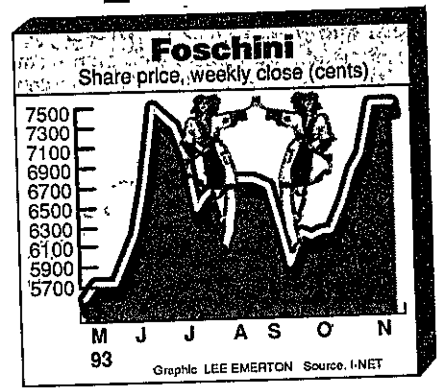
CAPE TOWN — Clothing retailer Foschini turned in strong results for the six months to September with attributable earnings climbing more than a third to R53,2m.

Market share gains, a lower interest bill and a significantly lower tax rate of 39,6% (47,5%) contributed to the earnings growth. Foschini did not pay secondary tax on companies (STC). Earnings a share rose 37,4% to 117,1c (85,2c). (30)

The group — which includes the Foschini Stores, Markhams, American Swiss, Pages and Sterns chains — allocated R52,4m for scrip dividends. The scrip was based on a share price of R68 and would be distributed on the basis of one new ordinary share for every 59 held.

MD Clive Hirschsohn said all trading divisions had performed satisfactorily. Turnover rose 17,8% but no interim sales figures were provided.

"This is a welcome precursor to the remainder of the year as there are now signs pointing to the economy turning the corner," Hirschsohn said.



Financial director Roy Norman said sales had been tough, but were not driven by abnormal markdowns so margins had

□ To Page 2

Foschini

B/Day 24/11/93

□ From Page 1

not suffered. Expenditures had also been contained. The group's productivity had remained "robust" with a 4,9% rise in the interest bill leaving pre-tax profits ahead nearly one fifth at R88,3m (R73,9m).

Twelve stores were opened in the first half and 15 in October. By year-end Foschini expected to have 30 extra stores.

Sterns Jewellers, bought in April, redefined its strategy and restocked during the period. It made no contribution to the interims but was expected to contribute to full year profits. (30)

Long-term debt rose to R129,9m (R114,3m) and short-term loans to R68,5m (R44,1m), although a sharp rise in shareholders' equity cut the debt to equity ratio to 39,8% (41,5%).

Norman did not think Foshini would change its policy of declaring scrip dividends if Inland Revenue was to rule that these were subject to STC. The company would revise the policy next year when it was expected to have recouped most of the cash it spent buying Oceana shares.

Parent Lewis Foschini Investment Company — which derives almost all its income from its Foschini stake — lifted earnings a share 37,3% to 59,3c (43,2c) and allocated R28,4m for the interim scrip dividend. The scrip was calculated on a share price of R33 and was alloted on the basis of one new share for every 56 held.

Buoyant Foschini leaves rivals in tatters

(30)

ARGT 24/11/93

Business Staff

HIGH fashion retailer Foschini continued to outperform its competitors with a 37,4 percent increase in earnings a share to 117,1c in the half-year to September 25.

For the seventh time Foschini issued a scrip dividend in order to conserve cash. It will issue one share for every 59 held.

Turnover (no sales figures provided) increased by 17,8 percent, which — according to MD Clive Hirschsohn — shows that the economy is turning the corner.

He also expected the festive season to give further impetus to this trend.

Strong productivity levels were maintained and pre-tax profit increased by 19,5 percent to R88,3 million in the period under review.

The new tax dispensation for companies brought the tax charge down 0,3 percent to R35 million.

Foschini operates five chains — Foschini, Markhams, American Swiss, Pages and Sterns.

Just 12 stores were added during the first half, but the expansion has been accelerated, with 15 stores opening in October alone.

The large number of openings last month was partly accounted for by the opening of two new shopping centres in the Durban area, in Westville and Phoenix.

All trading divisions performed satisfactorily, Mr Hirschsohn said.

Sterns jewellers, acquired on April 1, underwent a consolidation phase while the business was restocked and restrategised. It was now well placed to make a profit contribution in the second half.

The group balance sheet has been strengthened, with gearing down from 41,5 percent to 39,8 percent.

Bad-debt levels have improved compared with figures for September 1992.

Porter gears down

AR(?) 20/11/93 (30)

■ Brian Porter looks to restructuring, reducing debt, and fleshing out lean margins

MARC HASENFUSS
Business Staff

VEHICLE retailer Brian Porter Holdings is restructuring its operations to meet the new challenges in the motor industry.

In an interview after the group's AGM yesterday, chairman Brian Robinson said management was making a critical analysis of all trading segments. "This applies to the nature of all our franchise operations."

Mr Robinson said the group was also looking to change the trading emphasis from volume sales to profitability.

He pointed out that margins last year — a measley 1,7 percent — had thinned in line with the drive by the group's salesmen 'to move metal'. "Now we are moving less but at a bigger margin."

In the past financial year, Brian Porter revved up turnover to a record R420 million — but margin eroding discounting put the brakes on operating profit gains.

Mr Robinson said trade to date was in line with expectations — even though the group was carrying some extra stock.

Extra stock will cushion the group should suppliers be unable to meet a significant rise in new car sales in the period ahead.

But, he cautioned that net operating income in the first half to end December would be down on the previous year.

However, management's strategic rationalisation programme have generated extraordinary profits that will bolster retained income.

Extraordinary profits are being generated from the sale of surplus properties. Last year surplus on the sale of land and building added R1,4 million in below the line profit.

Mr Robinson said two more peripheral properties had been sold since year end.

Shareholders Association chairman Issy Goldberg cautioned the group's directors that interest bearing debt of R17,8 million was still too high.

Mr Robinson confirmed that the group would continue to pay attention to reducing borrowings.

Currently the scarcely-traded Brian Porter share is bid at R3 on the Johannesburg Stock exchange — a huge discount off its net asset value a share of around R9.

ELLERINE

Fm 19/11/93

Expansion helps boost sales

(30)

Activities: *Retails furniture and appliances predominantly on HP, through Ellerines, Town Talk, Royal Furnishers, Oxford, Rhein Gold and Furn City chains in SA, the Homelands, Swaziland, Botswana, Lesotho and Namibia.*
Control: *Malbak 59,5%.*
Chairman & MD: *E Ellerine.*
Capital structure: *71,8m ords. Market capitalisation: R789m.*
Share market: *Price: 1 100c. Yields: 2,7% on dividend; 8,1% on earnings; p:e ratio, 12,4; cover, 3,0. 12-month high, 1 000c; low, 480c. Trading volume last quarter, 147 000 shares.*

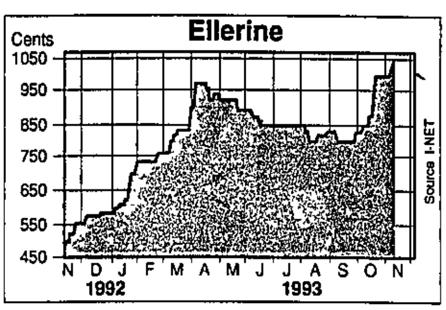
Year to August 31	'90	'91	'92	'93
ST debt (Rm)	—	22,9	43,5	71,9
Debt:equity ratio	—	0,10	0,17	0,23
Shareholders' interest	0,54	0,53	0,54	0,54
Return on cap (%)	25,5	24,6	20,2	19,7
Turnover (Rm)	483	592	588	758
Pre-int profit (Rm)	87,1	104,8	97,8	114,6
Pre-int margin (%)	18,0	17,7	16,6	15,1
Earnings (c)	66,9	77,4	70,2	88,9
Dividends (c)	22,1	25,7	23,3	29,6
Tangible NAV (c)	258	313	360	436

Economic statistics leave little doubt of the existence of a hostile operating environment, particularly for companies that sell durable goods. With growth in GCE estimated at a negative 0,5% for 1993 (positive growth of 0,5% last year and 5,2% in 1991), it is not surprising that for most companies the recession has resulted in the sizing down of operations.

But for Ellerine, blue chip of the furniture sector, it has been a time of 5% annual growth in trading area — not by acquisition, but organically. And this has placed it in the enviable position of being able to smooth earnings growth. In the year to August EPS increased 27% to 88,9c — the important hidden earnings cushion enables Ellerine to ride out the long, tough years.

Strong focus in its traditional middle- to lower-income group market led to the opening of 17 stores during the past financial year, bringing the total to 371. Management hopes this figure will reach 400 by mid-1995.

Expansion helped boost sales, up 29% to R758m, but the effects were not as great at operating level, where figures were distorted by a 2,5% increase in the debtors' provision — a consequence not of higher bad debts,



Ellerine's Ellerine ...
prudent accounting

says chairman and MD Eric Ellerine, but merely prudent accounting. Pre-interest profit increased 17% to R115m, though analysts believe operating income could have been understated by as much as R15m.

The lower corporate tax rate more than offset the rise in net interest paid to R5,5m (R2,2m). Admittedly, results for the year partly reflect the 60% earnings rise in the first half — off a low base the previous year when the group was plagued with labour problems. This suggests marginal growth in the second half.

Gearing increased to 23% (1992: 18%). The rise in interest-bearing debt to R71,9m (R43,5m) reflects the store expansion programme. Ellerine cautions it may go higher, but says management will only look to other methods of finance if gearing nears 46%. Now, unlike most of its competitors, Ellerine funds its debtors' book entirely internally, without an off-balance sheet finance company.

Deferred tax of about R84m on the balance sheet is provided in full and, true to form — the group is known for its conservative accounting — the R12,2m adjustment of deferred tax arising from the lower tax rate is treated below the line as an extraordinary item.

The compound annual return of 60% over the past four years suggests Ellerine is well placed to take market share from cash-strapped competitors. Management's prudent approach and the benefit of its reserves, make achievement of a goal of real earnings growth of at least 4% in 1994 look possible.

Regarded as a top performer and yardstick in its sector, the counter stands on a p:e of 12,4.

Though probably fully priced for now, its limited tradeability suggests it is a stock worth accumulating. *Marylou Greig*

KUDU GRANITE

Fm 19/11/93

Clearing hurdles

Activities: *Granite quarrying and marketing.*
Control: *Destag 53,6%.*
Chairman: *J W Houghton; MD: P J du Toit.*
Capital structure: *38,9m ords. Market capitalisation: R31,1m.*
Share market: *Price: 80c. Yields: 5,0% on dividend; 14,6% on earnings; p:e ratio, 6,8; cover, 2,9. 12-month high, 80c; low, 50c. Trading volume last quarter, 90 000 shares.*

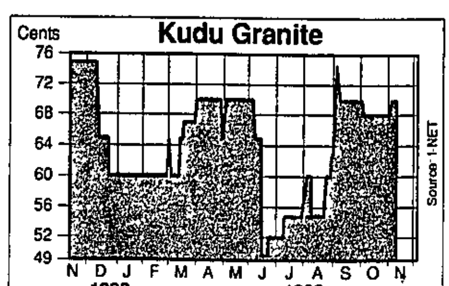
Year to June 30	'90	'91	'92	'93
Debt:				
Short-term (Rm)	6,7	15,2	31,9	17,2
Long-term (Rm)	6,0	5,3	5,8	1,9
Turnover (Rm)	35,7	39,1	60,6	101,2
Operating profit (Rm)	9,8	3,4	8,2	13,8
Taxed profit (Rm)	7,8	0,7	3,7	5,1
Earnings (c)	50,1	3,2	15,3	11,7
Dividends (c)	16,0	—	4,0	4,0

For a group that has turned in a solid performance in an industry which is supposed to be turning around after two years of recession, some of the comments made by chairman John Houghton and MD Peet du Toit are surprisingly negative.

Consider this: "The world commodity markets remain depressed, those associated with the construction industry more so than others. The relative price stability that has prevailed in respect of southern African materials appears to be under threat as the producers compete for a smaller market."

That jibes somewhat with what Fred Keeley, chairman of market leader Kelgran, had to say just last month, when his interim figures were released. Keeley reckons the recession of the past few years is coming to an end.

"There are encouraging signs in most traditional markets of increased activity, both in the construction and monumental industries. Additionally, the lifting of international sanctions against SA will have a positive effect on future group results, allowing the



P.T.O →

'SA business can join Africa's club'

30

CT 19/11/93

By AUDREY D'ANGELO
Business Editor

BUSINESS throughout the rest of Africa is already integrated — ahead of any formal agreements between governments — says the general secretary of the African Business Round Table, Esom Alintah.

And, now that it has been decided to accept SA members, business people in this country of all races and both sexes will be able to use the networking opportunities it offers.

Influence

The African Business Round Table (ABRT) has nothing to do with the familiar, international men-only junior version of Rotary.

It developed four years ago from a business deal involving Nigerians and Egyptians and is now an influential organisation including both FrancoHphone and Anglophone Africa, with a permanent headquarters in Abidjan.

Alintah — a genial Nigerian businessman with interests in oil, gas, petrochemicals, pharmaceutiHcals and real estate is attending the CEO Institute international conference of business leaders at the Cape Sun.

Asked by US former Congressman Stephen Solarz whether there was any prospect of a Pan-African trading bloc he told delegates: "In reality most of Africa is integrated economically and commercially, but the institutional framework does not yet recognise that."

He said members of the ABRT had set up businesses and done deals in each others' countries regardless of borders and official restrictions.

"It is what is called networking and now that SA people can become members they will also network."

In an interview Alintah said the ABRT was "the spokesman for the private sector" in Africa. It was made up mostly of the CEs of privately owned companies, although corporate members were also accepted.

Applicants had to be proposed by two members and were carefully vetted before being accepted, to ensure not only that they were of sufficient calibre but also that they had good reputations. Members who acted unethically were "sacked" from the organisation.

In SA, because of the need for black empowerHment, the ABRT was prepared to accept members whose businesses were not big enough for them to qualify in other countries.

Would-be investors from other parts of the world now tended to approach it first, to make sure they would be dealing with reputable people. It had recently sent a trade mission to Germany, where business people had become disillusioned by dealings with Eastern Europe.

Signs of upturn in retail sector

B/Day 19/11/93

KELVIN BROWN

STRONG signs are emerging that the recovery is spreading to the retail sector with major retailers predicting November sales will be more than 12% above last year's levels.

The Central Statistical Service said yesterday SA's 100 major retailers expected sales to rise a seasonally adjusted 12,7% in the year to November to R8,4bn.

Adjusted for inflation sales were expected to show an increase of 3,8% compared to November last year when sales plummetted 5,1% from the corresponding period in 1991.

Economists said consumers appeared to be in a better position due to an improvement in real disposable income.

Pick 'n Pay financial director Chris Hurst said his company had seen a recovery in retail sales figures in the past few months.

On average customers had filled their baskets with 4% more goods over the past two months.

"This is a very good sign the recovery is spreading to the retail sector."

Pick 'n Pay was also expecting a better Christmas than last year.

OK Bazaars marketing director Arthur Solomon said OK had experienced a reasonable October. He was expecting a fair Christmas season as sales figures appeared to have steadied. But he did not foresee any major improvement until there was more certainty in the country.

Many consumers were still feeling the pinch and were concentrating their purchases on necessities like clothing, food and school items.

Southern Life economist Sandra Gordon said expectations of a pickup in retail sales were backed by a turnaround in notes in circulation — a reliable indicator of the demand conditions in the economy.

Gordon said a rise in real disposable income was behind the expected rise in sales. She predicted consumers would continue to benefit from lower inflation in 1994 when it was likely to fall to an average of 7,5%.

An improvement in consumer confidence could also be related to the recent cut in interest rates, the lifting of remaining sanctions and good progress on the constitutional negotiations front, she said.

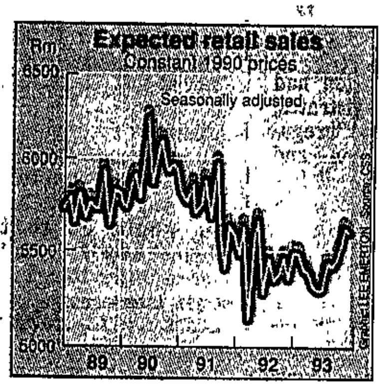
But Gordon warned there would still be some pressure on retail sales in the next year due to the low level of wage increases being granted and uncertainty in the run-up to the elections.

(80)

Meanwhile, surveillance company MD Richard Pople said retail goods worth about R500m would be stolen during the festive season as shoplifters throughout the country went about their version of Christmas shopping.

Sapa reports he said the figure represented about 2% of retail turnover during the period.

Witwatersrand police liaison officer Maj Eugene Opperman said shoplifting incidents usually increased sharply from November. The need for increased security in stores meant higher prices for consumers.



Disposal incurs loss of R352 000

CHARLOTTE MATHEWS

DIVERSIFIED retailer Acrem Holdings reports today an increase in attributable income to R376 000 in the six months to September from R338 000 in the same period in 1992, mainly because 1992 figures were hit by extraordinary legal charges.

The directors warned a comparison of 1992 and 1993 figures would not be entirely meaningful because of the disposal of Powernet Computer Services with effect from July 1. BDay

This disposal incurred a loss of R352 494 which they proposed to write off against the share premium account, together with R5,1m of goodwill. The effect would be to reduce the share premium account to R23,4m from R28,8m. 19/11/93

Acrem announced in its 1993 annual report that it was liable to pay R2m over the 23 months from April 1 1993 to February 28 1995 because of changes to Section 24 of the Income Tax Act. 30

Earnings a share were 9,7c (16,4c) and the dividend was passed, against 180c declared in the first half of 1992. Acrem's directors do not intend to declare any dividends in the 1994 year, they said.

R13-m ring-a-ding-ding for Cape tills this Christmas

ARGT 18/11/93 (30)

TOM HOOD
Business Editor

THE economy of the Western Cape is to get a R13,3 million injection of cash — a record bonus which will be paid this month to 25 000 members of Cape Consumers (Pty), one of the country's largest buy-aid organisations.

This is R1 million more than last year's payout and follows a record turnover of almost R300 million, up 8,3 percent on last year.

The company's earnings, which jumped by 9,3 percent to R15,2 million, are used mainly to pay the bonus to members.

General manager Piet Hugo said an improved spending pattern had been noticeable in the past three months.

"This bodes well for a good Christmas season," he said today.

Cape Consumers is a non-profit company and guarantees payment to 2 000 contracted suppliers — mainly retailers and garages — for purchases by members.

Mr Hugo said as the bulk of the bonuses were again spent with contracted suppliers, it represented a sizable cash injection to the local trade in the coming festive season.

Strict credit control resulted in R2 million being outstanding by buyers, an improvement on the R2,8 million owned in 1992.

This meant the total number of accounts in arrears was reduced by 39 percent.

Irrecoverable debts of R1,4 million were written off, the same as last year, amounting to less than 0,4 percent of turnover.

The company played a key role in the Western Cape's economy, said Mr Hugo, and it expected to recruit more members and suppliers next year.

It was extending its business into country towns, partly to meet the demands of members who had moved from the Peninsula.

Business now extended as far as Springbok, Bredasdorp and Beaufort West — and would reach the Transvaal and deal with traders in the West Rand.

"Considering the company's conservative credit control policies and the current state of the economy, we are conservatively budgeting for a turnover of R326 million next year," said Mr Hugo.

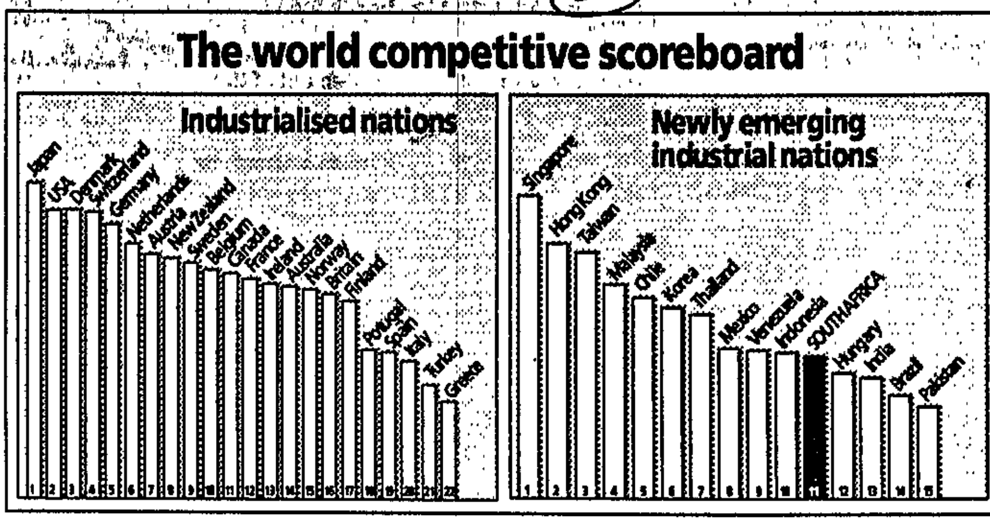
The company is one of several buy-aid organisations in South Africa whose total annual turnover exceeds R1,5 billion.

South Africa's ranking among world trade rivals is slipping. The Competition Board wants far wider powers to crack down on business sharp practice. Michael Chester reports

Protectionism should be dirty word in SA

Star 17/11/93

(30)



If South African business needed to be jolted into action to reverse an ominous slide in its ranking among global trade rivals, the alarm has been rung by the 1993 edition of the authoritative World Competitiveness Report.

South Africa, freshly out of political isolation, made its debut in the annual country-by-country comparisons of economic muscle a year ago. The results shook South African business to the core.

Among the 36 rival nations listed in the 1992 study, South Africa was ranked as low as 30th, sandwiched between Mexico and Venezuela.

At the time, however, it was widely assumed that a rapid climb to higher status was virtually guaranteed with the removal of the sanctions blockade and trade handicaps.

The optimism has been dashed. In the 1993 survey South Africa has skidded still lower in the international rankings, now down to 32 out of 37.

Nor can South Africa moan about the disadvantage of a relatively small economy.

Judgments, it is stressed by the authors, are based on economic fitness tests regardless of size.

Clearing any suspicions of unfairness by comparison with such economic giants as Japan and the United States, listed as "advanced industrial nations", the survey has placed South Africa among 15 smaller global players under "newly emerging industrial nations".

Even here, South Africa is shuffled down to a lowly 11th slot, among the bottom one-third and far outclassed by Far East tiger cubs like Singapore, Hong Kong, Taiwan.

What's gone wrong?

Results of the annual surveys, which are compiled by the World Economic Forum and the International Institute for Management Development, have stirred a whole series of business think-tanks into action to start the search for answers.

The search has been made even more urgent by the ringing of still more alarm bells over shock revelations about the extent of the layers of protection behind which much of South African business has been sheltered in decades of mismanagement all round.

South Africa has been forced to admit the scale of protective cocoons in submissions to the secretariat of the General Agreement on Tariffs and Trade (GATT), the global watchdog which is laying down new rules that member nations must now follow in import/export trade.

South African negotiators have been chilled about the firmness of GATT orders to make drastic reductions to trade barriers — from high tariff walls to tight import quotas — that have been keeping overseas rivals at bay from the South African home market.

The issue has yet to be settled, but GATT pressures, plus the findings of the World Competitiveness Report, have forced numerous South African companies to ask themselves how well they can match global rivals when the chips are down.

The alarm signals are also being used by Pierre Brooks, chairman of the Competition Board, to reinforce arguments that the board needs far wider powers to enforce new rules on business practices, and oil the wheels to encourage a faster economic tempo.

The list of potential snags he has put under review looks endless: price-fixing by monopolies or cartels; market sharing by rivals who bury the hatchet to increase profits; skulduggery in mergers and takeovers; collusion between companies to rig tenders for big contracts.

Also of deep concern are the thick layers of protection given to entire industrial sectors in recent years in the name of "national strategic interests", in particular the oil industry.

More artificial shelter was provided to many industries by political experiments, "import replacement" and "decentralisation" policies, which failed.

And controversy still surrounds the degree of concentration of economic power in an elite handful of industrial empires with ANC threats of anti-trust legislation now being answered with "unbundling" moves by giants such as Gencor and Barlow Rand.

Brooks believes the dawn of a new political and economic era provides the ideal moment to clear away old cobwebs and compile a brand new rule book for fair play in the business world.

Insiders believes Brooks has been well groomed to draft the rule book with the experience of five years at the helm of the Competition Board on special secondment from the post of Professor of Mercantile Law at the University of South Africa.

Lubrication

In fact, he has already delivered his proposals to the Government on the framework of new legislation that he hopes will win consensus among all the main business and political players before going to Parliament for approval and implementation as new competition policy.

"If South Africa is going to join the economic fast lane, and make the best use of its enormous human and material resources, the wheels of industry and commerce need a good lubrication," he says.

"That means access to business opportunities on a fair and square basis for everyone. And that means coming down hard on any business sectors or individual companies that interfere with the process of open and fair competition.

"One looks all over the world in search of a perfect system. No one has found all the answers, but there are lessons to be learnt.

"Political reform and our return to normal business relations means companies must be exposed to sharp competition on home and overseas markets, and test whether they can stand on their own feet.

"There's room in the economy for big and small players alike — larger corporations that can use economies of scale to compete with major overseas rivals on world markets, and lots more entrepreneurs starting out in business, especially budding newcomers who were barred from owning their own enterprises in the apartheid years.

"Neither big nor small firms should be hamstrung. All must be allowed to develop and expand. There needs to be equal emphasis, however, on rules that forbid them to abuse their powers."

What Brooks has in mind, behind a characteristic mildness of manner, is a set of rules that will make potential offenders tremble in their boots at the first rustle of an investigation.

Major US franchise firm aims to clean up in SA

(30) ARGUS 17/11/93

Business Staff

ONE of the 500 fastest-growing companies in the US has launched itself in South Africa.

The company is Coverall, the world's largest franchisor of commercial and industrial cleaning operations.

Managing director Charles Williams says the company offers job opportunities for disadvantaged minorities.

"We are in the business of creating employment and Coverall is particularly suitable for people who have limited resources and wish to own their own business."

Mr Williams says most buildings in South Africa have been the domain of the large cleaning companies, with the small-to-medium sector almost completely neglected.

"Now there is a professional programme for this sector."

He says the South African operation, which has been up and running since August, has already attracted over 20 franchise owners and syndicates.

Larger corporate clients include Digital and Nedcor.

Coverall, which has over 3 000 franchises in the US, Canada, Europe and Asia, has global revenue of $85 million.

NEWS

Competition Board wants more bark and bite to curb price-fixing

Tough anti-cartel laws planned

Star 17/11/93

BY MICHAEL CHESTER

Business cartels and price-fixers have been warned by the Competition Board that they will risk penalties running into millions of rands from next year if Parliament approves proposals for a sweeping new crackdown on racketeers.

The Competition Board has confirmed it is seeking far wider powers to flush out consumer rip-offs and business scams aimed at squeezing out rivals to leave the decks clear to dictate prices.

Proposals on the development of brand new competition policies, with much sterner legislation to enforce fair play in the business world, had been handed to the Government, said board chairman Pierre Brooks.

Comment from the main political and business leaders had also been invited in the hope of reaching consensus on an action programme before proposed legislation was tabled.

Proposals set out new rules that cover surveillance of mergers and takeovers and a closer watch on inter-company deals on market sharing, resale price maintenance, and collusion to fix tenders for big contracts.

"The Competition Board needs more bark and a lot more bite," said Brooks in an interview. "It's crucial that South Africa improves its competitiveness on home and overseas markets — and that needs firm action against anyone who tampers with the brakes."

A first priority was to introduce more severe penalties for companies or individuals who tried to stifle competition.

SMALL business sector needs to be expanded and new firms must not be squeezed out by the big corporations

Until now the board had been able to do no more than conduct investigations into suspicions of unfair business practices — and submit its findings and recommendations to the Department of Public Enterprises.

There had been many instances when particular deals had been blocked or amended — but so far not a single prosecution.

Even if a conviction had been secured, the current maximum penalty for offenders was no heavier than R100 000 — "far too lenient as a deterrent to large corporations involved in suspect operations worth perhaps millions".

Brooks said South Africa should follow the route taken by such overseas trade rivals like Australia and Canada, where penalties as high as R35 million awaited the worst offenders.

(30)

The European Community countries were even tougher with offenders, and maximum penalties in the United States ran higher still through both the criminal and civil courts.

Brooks stressed that a new competition policy needed to recognise the important role of large corporations — but also take account of the barriers of government protection that had sheltered some of them.

"Certain companies and even entire industries have been built on special concessions offered them by the Government," he said. "Today it is equally important to encourage the expanding role of the small business sector — and ensure that new small firms are not squeezed out.

"There's no substitute for a market economy, and political interference should be kept to a minimum. Enforcement of competition policy is bound to bring casualties. But there are a number of companies that are well positioned and will emerge stronger.

▶ **Protectionism should be dirty word in SA – Page 17**

REVIEW

Slight drop in Christmas sales predicted

CT 16/11/93

(30)

THE Tygerberg Chamber of Commerce and Industry has predicted a 2% drop in Christmas business in the northern areas during November and December compared with last year.

Sales nationwide in November and December are expected to total about R19,9-billion.

The chamber's general manager, Mr Hennie Fritz, said the retail sector had a negative outlook for Christmas, although the five-year recession seemed to have ended.

He said a recent survey by the chamber over a two-month period had shown that retail sales had dropped in real terms by 2,2%.

"This confirms that the ending of a recession does not mean that one will automatically have an upturn in the economy.

"However, there are dynamics which could still yield a more favourable outcome.

"The recent lowering of interest rates could have a positive impact on consumer confidence while clear evidence of an emerging political settlement in the weeks ahead will also improve the climate," said Mr Fritz.

He said the survey had also indicated that consumers were also more price conscious and were placing greater emphasis on quality.

Business Report

'Prepare for more of the same . . .'

(30)

CT 16/11/93

By AUDREY D'ANGELO
Business Editor

BUSINESS must plan to operate "in an environment unlikely to differ substantially from the present one" until the year 2 000 and beyond, with high unemployment, violence and crime, says Ockie Stuart, director of the Stellenbosch Bureau for Economic Research (BER).

But other speakers at the annual BER conference at the Lord Charles Hotel, Somerset West, yesterday were more optimistic.

Christo Wiese, executive chairman of the Pepkor group, said SA had "the potential for an economic miracle of South East Asian proportions" if the right political and economic decisions were made.

Philip Spies, executive director of the Institute for Futures Research, said "we have a strong stake in a prosperous continent" and an opportunity to solve the country's problems.

Lieb Loots, head of the economics department at the University of the Western Cape and an adviser on taxation to the ANC, said he expected the next government to adopt policies leading to economic growth.

Hennie Kotze, head of the political department at the University of Stellenmbosch, said he was optimistic that SA had chosen the best way to carry out a political transition. There had been "a tremendous convergence to the middle from both sides."

P Verwey, director of export promotion at the Department of Trade and Industry, said new markets were opening up and, with sanctions lifted, the US had already "taken over as our No 1 trading partner".

All speakers at the conference stressed the importance of exports. Ockie Stuart said he expected exports "to recover fairly significantly" next year.

"Thereafter demand for exports should increase steadily — virtually up to the end of the century, with a peak late in 1996."

Mass market up 30% in two years

(30)

CT 16/11/93

Business Editor

RETAILERS operating in the emerging mass market expect to grow turnover at a faster pace than the increase in disposable income in the next two years, Christo Wiese, executive chairman of Pepkor, told the BER conference.

"A realistic expectation is that by the year 2 000 the mass market will have advanced in real terms by 20% to 30% from its present base."

He made it clear that the major chains intend to open stores in the black townships, to reach their target market there, as soon as it is safe to do so.

"Until stability returns to these areas the national chains are unlikely to expose their staff as well as their investments in stock and capital equipment to the high risks of the townships.

"However, they would be foolish not to have strategies in place for their forceful entry into these areas once peace has been established."

But, Wiese warned, the chains "will be accepted into these communities only if their presence contributes to the economic empowerment of the people they want to do business with — in other words, only if they create opportunities for the community to benefit from their operations."

Discussing the size of the black market, he said: "Of the R12bn blacks spent on groceries in urban areas in 1990, R5bn was spent in the townships and R2,6bn of that at spaza shops and counter stores.

"That figure must be substantially higher now, just three years later, in view of the headlong urbanisation we have witnessed.

"Competition between the major chains for increased market share will, in my view, become even fiercer as we move towards the year 2 000.

Consumers

"Price will remain the most important consideration for the mass market consumer, followed by product quality and availability, as well as service and location."

But, Wiese said, retailers would not neglect the growing middle class.

"We shall have to make provision for the aspirational needs of a growing number of middle class consumers, as well as for those of the established first world component of our society.

"Members of the first-world component in particular will insist on a continued wide choice of quality merchandise to support their lifestyle. If this is not available I believe a great many of them will leave the country rather than reconcile themselves to third world standards."

He said the retail sector could create opportunities for suppliers in the informal sector as well as "a great many jobs in the formal sector at relatively low cost."

And it could boost export earnings "by acting as a spearpoint for the country's export drive into Africa south of the Sahara.

"This it can do by providing retail outlets in neighbouring countries which act as additional markets for SA products."

Pep was already doing this. Through a subsidiary it operated more than 70 stores in neighbouring countries. Other companies in the group would also expand into Africa.

"Naturally all such stores will have to be stocked from SA as is largely the case with those we operate in Scotland."

Ambev, chain stores' favourite cola

S Times 14/11/93

By DON ROBERTSON

AS the battle for the soft-drink market in Southern Africa hots up, Durban-based Ambev has become the largest supplier to chain stores.

Ambev opened its production and bottling plant near Durban three years ago and became a small supplier in the Natal region with its Jive brand. It is now the largest supplier of house-brand soft drinks to Pick 'n Pay, Shoprite-Checkers and OK Bazaars.

Managing director Bernard Hack says another retail chain has been signed and a deal with a second will be concluded by the end of the year.

Ambev has also opened a bottling plant in Cape Town.

The company has introduced a range of mixers under the Jeeves name. They include soda, lemonade, quinine tonic, ginger ale and a caffeine-free cola.

It was helped in establishing these products by Bushboeke Allen, a consultancy which researches customer preferences and supplies flavourings for carbonated soft drinks in 37 countries.

The entry into house brands was achieved through two-litre disposable bottles. Ambev now has a 1,5*l* bottle.

Alliances have been established with independent bottling companies throughout SA to handle production of 2,4-million litres a month.

The soft-drink market in Southern Africa is worth about R2-billion a year.

Mr Hack says a major reason for Ambev's success in chain stores is the close relationship which has been built up between them and his company.

"We are not merely selling a commodity. We have developed flavours individually for each chain in close co-operation with the customer. We are constantly re-evaluating our products.

"In this competitive market you have to be more than a bottler and distrubutor. You have to keep your finger on the pulse of the consumer and be able to translate preferences into flavours."

(183)(30)

'Forget business as usual'

ARG 13/11/93

TOM HOOD, Business Editor

MOST businessmen are living in a fool's paradise if they think they can return to "business as usual" after next April's election.

So says an authority on the Cape's informal sector, Theo Rudman, director of the Self-Employment Institute.

"They are mistaken if they believe the election will take away violence and the country will become a paradise," he said yesterday at the annual seminar of the Menswear Group of clothing manufacturers in Cape Town.

"The environment is not going to change and it will never be business as usual again."

Most companies were missing business by ignoring consumers in townships — especially places such as Khayelitsha, which was really a city of 500 000 people, he said.

"The average businessman does not even acknowledge that it is a city. They say the people are very poor and nobody is really trying to do business there. But that can be developed and if businesses aim to collect all their pennies, they will get lots of pounds," Mr Rudman said.

Both Coca-Cola and South African Breweries had proved that good business could be done in a poor environment if properly organised.

Coca-Cola's sales had risen 40 percent a year in black areas until violence escalated last year, while about 80 percent of beer sales were in those areas, said Mr Rudman.

About 70 percent of all sales in the country's liquor industry were now in the townships, he claimed.

There was business to be picked up in the townships — "That is where the growth is. It is like a new country out there," Mr Rudman said.

ECONOMIC INDICATORS
FM 12/11/93

Crossed lines

A sure sign of a turn in the economic cycle is the appearance of contradictory indicators. An extreme example emerges in the huge discrepancy in expectations about future retail sales, as reflected in surveys carried out by the Central Statistical Service and SA Chamber of Business.

According to a CSS survey of 100 major retailers, sales for October are expected to be up 1,8% — month-on-month — with inflation stripped out.

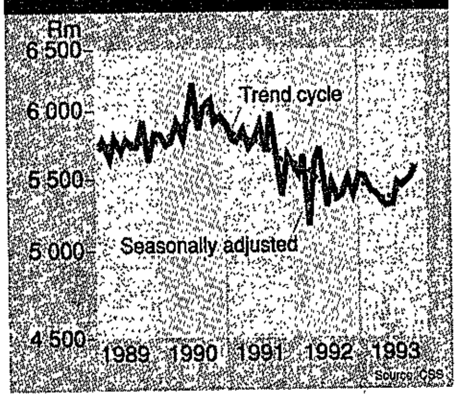
(30)

This is a seasonally adjusted figure which, if annualised, would represent a rise of well over 20% in real terms.

FM 12/11/93

Expectations rise

Expected retail trade sales/constant 1990 prices



Sacob analysed 250 responses from chamber members about expectations for the following two months and found they expected a 2,2% fall over November-December 1992.

Sacob received its estimates in current rands which were then deflated by a projected inflation rate of 9,1%, says Sacob economist Bill Lacey. The CSS's Roelf van Tonder says, in the official survey, current prices were deflated by 0,9% which annualises to about 11%.

The difference in deflators doesn't explain the discrepancy but compounds it.

Lacey suggests the composition of purchases in the period is very different. "Pre-Christmas shopping is heavily weighted with durables. People are more likely to economise on these big investments than in day-to-day shopping."

(30)

Whatever the explanation, the dimensions of this disparity in expectations for consecutive months highlights the hazards of forecasting events.

□ Sacob's business confidence index for October rose to 102,1, the highest level since August 1990. ■

REGIONS

No second chance

A cautionary tale from India: in the years soon after the British departed, the enthusiastic central planners in New Delhi instituted a five-year development plan. Part of the plan was the building of a major dam for the irrigation of a parched rural area. The dam was duly designed and building went ahead. The planners pressed for it to be commissioned before the expiry of the five-year period, so that they might take the political credit for it in the area.

The engineer in charge of the project refused. It was too soon to allow the dam to be used to capacity, he said. If the dam were commissioned by the day the planners were demanding, it would burst and thousands of people and cattle would be drowned. The planners would not accept this and insisted. On the day the dam was commissioned, the engineer took a chair to a nearby hill to watch the disaster.

Many thoughtful people must be feeling like that engineer, as they consider the political deals being concluded at the World Trade Centre between the National Party government and the ANC. It is not the arrangements for the election that are especially worrying, or even abstract matters like human rights; it is the issue of regional powers that is most disturbing and not for the obvious political reasons.

In the wrangling over greater or lesser regional powers, the focus has been almost entirely on what concessions to federalism are necessary to persuade the motley coalition that is the Freedom Alliance to stay in the process.

The economic implications, if they have been understood at all, appear to have been ignored. As the HSRC's Lawrie Schlemmer pointed out at the *FM* Investment Conference last month, a greater emphasis on regional power could foster huge and wasteful bureaucracies, with significant effects on taxes and inflation.

Fiscal tension is likely between regional and central authorities, leading to instability. Wealthier regions will be expected to subsidise poorer regions — which means that areas like the Witwatersrand will have to cope with the influx from rural areas as well as subsidise those areas.

And if regions are subsidised but do not have the freedom to act independently of the centre to attract investment, the scope for growth will be limited. Arbitrary regional boundaries will leave certain areas highly aggravated.

Schlemmer warned that "great care should be taken to minimise the dangers in the eventual constitutional provisions," otherwise "SA's quasi-federation could be born in conditions which will guarantee its failure."

Great care has not been taken so far by the politicians. They have been concerned to draw up proposals that are politically acceptable, but which could well be economically ruinous. As with the planners in India, political imperatives may well have been inescapable in setting the pace of agreement — but if the warnings are not heeded, nobody should be surprised if the dam breaks. ■

THE ECONOMY

FM 12/11/93

Between perception and reality

If reviews by bank and other economists were any guide, you would think we were already in a boom. The flood of pessimism that characterised most commentators earlier this year has been replaced by an equally pervasive optimism.

Yet in annual report after annual report, company chairmen have been at best guarded in their projections for the current year (which now generally extends to next June). The immediate future is "uncertain" or "clouded by political uncertainty" and for every profitable turnaround, like Rainbow Chicken, there is an OK Bazaars.

Sacob itself this week projected a 2,2% decline in the Christmas retail trade — which will also affect the manufacturers who supply that trade. True, that's better than last year's 4,9% decline, but it's a funny sort of recovery.

There is still no hard evidence that real recovery has extended much beyond the primary mining and agricultural sectors — and there thanks to George Soros and Jupiter Pluvius rather than Chris Stals and Derek Keys. The slow rate of money supply growth also, sadly, attests to the slackness of the economy rather than financial discipline.

Of course, in part it's just a reflection of the herd instinct. In economic analysis, as in so many areas of life, it can be more comfortable to be wrong with the majority.

And given that turning points are always more difficult to predict (and rarer) than continuations of an existing trend, it may well be that the change in perception is more significant than arguments whether next year's GDP will grow by 0,5%, 1% or even 1,5% — especially given statistical error.

The fact is that what businessmen hate most is uncertainty and you have to be an Anglo American or a Gencor to be prepared to consider major investment while the shape and philosophy of the government that will be in place after April 27 are so uncertain. Much as the ANC may protest its conversion to the free market, business is not convinced. The Merg document (see page 33) may be a draft, has already been repudiated in part by the ANC and could change much before its public release next month, but it displays a touching surviving belief in the merits of a centrally directed economy that won't encourage local or foreign investors.

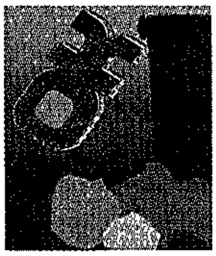
Confidence is a fragile blossom. All we've had so far is a tentative revival in confidence. There's a long way to go before it can be converted into new factories — and jobs. ■

OK BAZAARS

How the spiral started

SAB shareholders deserve an explanation

FM 12/11/93



"We were in danger of losing our way . . . we had to take our punishment for straying from the path of common sense." — **OK CE Meyer Kahn, 1979**

The lesson has been long in the learning. And now, 60 years after it was listed on the JSE, the company whose far-flung emporia made it "the store where SA shops" is about to become a delisted failure.

SA Breweries (SAB), the OK's principal shareholder with 69,9% of the equity, has obviously decided that the giant retailer's steady retreat in the face of unremitting competition is now so embarrassing it must be removed from the investment spotlight. Not that SAB executives will admit that: they parade instead a host of reasons, from hugely burgeoning debt to political unrest.

OK Bazaars, whose genesis lay in the combination of two unlikely traders, one the owner of a modest store in Harrismith and the other a travelling salesman and sometime hairdresser, was established in 1918. Sam Cohen and Michael Miller commanded a capital base of £150 and called their firm United Commercial Agencies.

Their sole motivation was to make profits quickly; they had no intention of being trapped by the plate glass and mahogany which characterised their opposition. Not for them the Edwardian opulence that surrounded the great British stores. That's why it became the OK — goods which were OK, at OK cash prices.

The old OK died when SAB acquired its interest in 1973. Marketing director Louis Ozanne told the *FM* excitedly that SAB's involvement ". . . clearly marks the change from brilliant pioneer development by entrepreneurial families into total professional management." Really?

SAB's management in the early years produced good results. The share price fell initially from SAB's purchase price of R7, bounced along for six years, then took off in 1979 to a peak of R27 in April 1983. Since then, it has been downhill all the way.

As with all slow disintegrations, it's difficult to pinpoint the reasons for ultimate failure. Nevertheless, there are some strong candidates. First is management style — ethic, ethos, culture. Cohen and Miller represented themselves and their own money, and there's no substitute for the owner's foot. Essentially, they were traders looking for the main chance.

Even in his 80s, Cohen used to spend a couple of hours at a till every Saturday morning in the basement of the Eloff Street OK. He thought it important to keep in touch with customers and the shop floor.

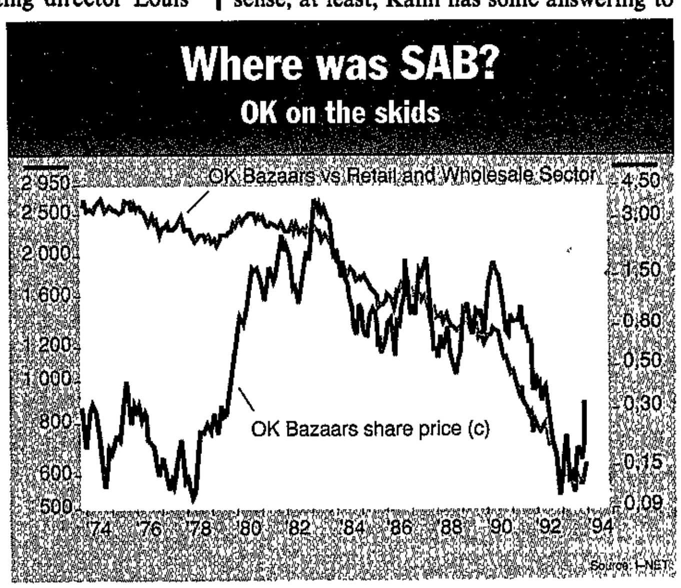
Subsequently, Meyer Kahn became CE in 1977: Kahn is nothing if he isn't a trader. (30)

But when he moved to SAB's head office in 1983, OK's share price went into a spiral dive from which it has never recovered. Kahn was replaced by Gordon Hood, architect and property developer, who presided over an empire in decline.

Kahn . . . *a soft spot for the OK*

The choice of Hood surprised observers. There was no questioning his hotel and store planning abilities, first at Southern Sun and at OK, but running a huge company with thousands of employees isn't given to an executive described as "wooden" and "autocratic."

As management trainee and then CE, Kahn clearly developed a soft spot for his alma mater. Maybe this precluded him from acting sooner and with greater vigour — especially when the alarming trend in OK's interest burden became evident. In this sense, at least, Kahn has some answering to do: what would OK be like now if he hadn't insisted on being so laid-back, so remote, and had been more of a hands-on chairman?



SAB planning and development director Malcolm Wyman says SAB's policy is to give operating subsidiaries maximum freedom from central control. "We actively employ a decentralised management philosophy," he says. That is a policy many support, though not at the expense of common sense.

A second factor is that OK simply lost its way in the Eighties. The temptation for managers of retail operations is to cater for every sector indiscriminately. OK was no exception — as evidenced by its 1993 annual report entitled "Back to basics." By Kahn's own admission in 1979, OK flirted with high fashion and was "eaten alive" by competitors in furniture.

In the circumstances, it's strange that the illness was allowed to continue. When SAB took control in 1973, it told the *FM* its involvement would be at the strategic level of making the right big decisions — directions of growth, new outlets, finance, profit targets, top appointments. What has happened to these proud and perfectly proper promises? The unadorned answer is that SAB hasn't delivered.

The third reason is probably the most curious of all. It is that OK's technology has lagged that of its major competitors. Given SAB's profile in hi-tech applications in other sectors, its irresolute approach to OK seems wayward. OK CE Mervyn Serebro admits, for example, the company's accounting systems are unbelievably antiquated.

And OK has fallen behind in critical areas such as in-store controls. These technology-related failures are illustrated by a comparison with Pick 'n Pay (PnP) where, for example, debtors expressed against days' sales are 0,6 against the OK's 29,5. Other ratios are: the number of days' stock held by PnP is 23,8 compared with the OK's 50,5 — more than double; and PnP wins in its use of creditors' money — its stock is financed to the extent of 164%, compared with the OK's 98%.

Wyman objects to this comparison: PnP isn't at all like the OK, he says, because it doesn't have to fund a huge furniture book. It's true OK's HP book amounts to close on R500m and the product mix of the two retailers differs: 85% of PnP's business is food while at OK it's only 60%. Comparisons may be odious but they have to be drawn.

Wyman defends OK's record in this area

cont →

FM 12/11/93

by claiming that important technology takes time to implement. That's true but doesn't explain why OK entered the race so late.

Whenever the *FM* challenges OK's performance, Wyman's stock response is that it was grievously affected by the pervasive social, economic and political uproar. Wyman says OK's trading position improved manifestly when quiet returned. It's a seductive argument — but it doesn't explain why OK's competitors weren't affected to the same extent. Wyman attributes this to OK's exposure in rural and mining areas.

SAB's decision to make a Section 311 offer to minorities raises a number of issues. The first is that SAB's intention to make OK wholly owned smacks of a repeat of the Southern Sun saga. Investors will recall that SAB's response to the embarrassment of Sun's continuing losses was precisely that. The impression is that it's a lot easier to sweep unpalatable facts under the carpet when there are no public reporting requirements.

Wyman denies that is SAB's intention: "No, we won't hide anything. We don't hide our hotel results, for example. Nor do we hide the results of our beer division. Anyway, OK's results are already consolidated fully into SAB's financial statements, so it will have no additional impact."

However, Wyman refuses to say what kind of financial restructuring of OK is intended. One thing is certain: the company is horribly undercapitalised and a consequence is a colossal debt burden (now close to R1bn). Such matters as how SAB will deal with the debt — whether it will replace it with paid-up capital or use other instruments (prefs, convertible debentures and so on) remain undisclosed.

Asked why the alternative of a rights issue wasn't adopted, Wyman says SAB concluded minorities wouldn't subscribe. He claims the unusual activity in the share recently (1,7m shares have traded so far this year, of about 3,7m held by private investors) is speculative. Another option — that the major institutions might have been prepared to subscribe for a rights issue underpinned by SAB — was rejected by Wyman as unrealistic, given OK's past performance. This is an overt admission of its parlous state.

SAB's offer to minorities of R10 a share may be taken either in cash or in SAB scrip (based on a share price of R68). That is, at least, a concession which allows shareholders to stay in touch with their OK investment. The offer must be compared with OK's net asset value: at March 1992 it was R28; by April this year it was R21. Now the managers say it is R15 and falling fast.

As SAB cannot escape some of the culpability for this dramatic decline in shareholder wealth, is it right to offer minorities a price which clearly isn't generous? Minorities will be right to argue that SAB's admitted lack of managerial input, direction and control is responsible for shrinking assets. Wyman and Serebro argue the share price hasn't traded better than R8 this year and so R10 is reasonable. (2313) (30)

That is tantamount to saying minority shareholders must accept responsibility for management's inability to manage. While shareholders always ultimately pay the price of management incompetence, in this case SAB's dominance meant that minorities could never exercise the final sanction of throwing out management.

It's arguable that recent share dealings simply represent speculators perceiving opportunities for fat pickings. The most recent results — the interim to September — portray an extraordinarily sombre picture. Compared with the same period last year, operating income fell R50m on turnover which increased 5% to R2,7bn.

This is curious. The huge decline isn't represented solely by squeezed margins arising from aggressive marketing chasing market share. Serebro suggests a main reason is the fall in inflation — especially food — while fixed overheads remained constant.

But it is worth remembering that when the new management team launched the reborn OK in May, it claimed it would halve the losses by year-end. Actually, losses have increased — though if comparisons are made with the six months to March 31, attributable losses improved slightly from a negative R47m to R40m. Nevertheless, these figures, fortuitously perhaps, serve to underline and enhance the superficial attractions of SAB's offer to minorities.

The most striking feature of the six-month results is the R57,1m interest bill — almost R10m a month. Since March, OK's total interest-bearing debt burden has risen R234m; it's now R937m. The R42m operating loss gets even worse below the line, where OK has taken an extraordinary loss of R27m from rationalisations. There seems no end to the red ink in the financial statements.

Another important feature is that the first Hyperama, opened in 1976, was intended to solve the OK's self-imposed problem of being the place where the nation shopped. Hyperamas were introduced (at a time when the group was doing particularly well) to lift the load from OK Stores of what was a crippling philosophy. The size and disparity of the market outstripped OK's ability to service it.

It is only now — under Serebro — that the essential differences between Hyperamas (serving A-B income groups) and OK Stores (concentrating on the C-D sectors) is being articulated. Indeed, the Hyperama success and OK's ability to make it work has been camouflaged in the perceived interest of shoring up the steadily declining performance of OK Stores.

The group is coy about releasing information, but it's possible to deduce that last year the Hyperamas contributed about R50m to group operating income. The inference is that Hyperamas work, OK Stores don't. Wyman rejects suggestions that SAB intends to list Hyperamas separately.

Twenty years ago, SAB laid R136m on the table to secure control of OK's business. Applying nothing more than the CPI over the years since then as a measure of return, SAB's outlay should now be worth R1,78bn; it is worth no more than R61m.

This is sobering because, taken alone, it is uncomplimentary about SAB's management and strategies of diversification. Wyman, heavily defensive, says SAB is in "the mass market-orientated business. We will have bad periods. We are, after all, a prisoner of the economy. We can't divest and translate our holdings into cash whenever the environment looks poor."

Soon after the *FM* went to press, SAB unveiled its interim, against a background of 26 successive years of unbroken annual growth in earnings. The unpalatable truth is this has been achieved despite — not because of — the diversification programme. Beverages always pulls SAB through.

Though it's hard to say this in the face of a record unmatched in SA business, SAB's shareholders would have done better if its managers hadn't been so adventurous.

Marylou Greig & David Gleason

Diminishing returns

Sobering statistics

Year to March 31	1985	1986	1987	1988	1989	1990	1991	1992	1993
Turnover (Rm)	1 963	2 042	2 364	2 865	3 727	4 219	4 800	5 045	5 277
Pre-interest profit (Rm)	62,1	[illegible]	43,5	[illegible]	69,0	71,8	58,0	51,4	52,1
Pre-tax profit (Rm)	26,3	23,6	28,2	[illegible]	43,9	36,0	16,9	3,6	-73,9
EPS (c)	100,0	100,8	123,0	162,0	195,0	183,0	120,3	75,3	-361,4
DPS (c)	60	60	73	89	103	88	63	37	10
Returns on average total assets	n/a	7,0%	5,7%	6,1%	6,8%	5,2%	4,4%	3,6%	3,2%
Returns on average capital employed	n/a	11,1%	8,9%	10,1%	12,1%	11,3%	8,4%	6,8%	5,8%
Return on average equity	n/a	3,8%	4,5%	5,8%	6,7%	5,7%	4,3%	2,7%	-14,8%

Source: I-NET

Etam, Foschini get closer

FOSCHINI chairman Stanley Lewis and his son Michael have both joined the board of British fashion chain Etam as non-executive directors. CT 11/11/93

Both are directors of Foschini's associate, investment holding company Oceana, which has a 36,5% stake in Etam. Foschini bought 35,3% of Oceana, which is controlled by the Lewis family, in 1991 for R131m. (30)

The appointment is intended to form an alliance and ongoing contact from which both chains will benefit, Clive Hirschsohn, MD of Foschini, said yesterday.

Etam fought off a hostile bid from Oceana in 1991.

But Hirschsohn said yesterday: "There is the utmost goodwill between the Etam board and ourselves. We want to make some input that will assist Etam to maximise its success.

"Etam has realised that there are synergies between our two chains."

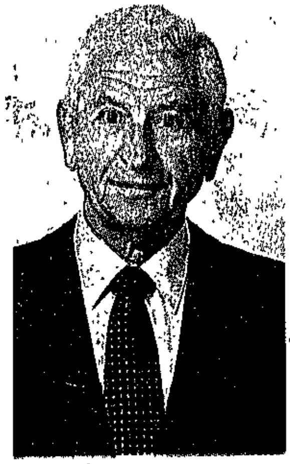
Hirschsohn issued a statement yesterday in which he said retailers all over the world were facing similar challenges.

"Etam's target market, merchandising and positioning in the industry is very similar to that of the Foschini group."

Under the London Stock Exchange rules Oceana can increase its holding in Etam by only 1% in the absence of another bid.

Hirschsohn said no consideration had been given to making another over-all bid. "We shall probably edge up by the 1% a year we are entitled to.

"We are absolutely thrilled and delighted by these appointments to the board. "



Stanley Lewis

Boycott breakers 'forced to eat soap'

(30) CT 10/11/93

Own Correspondent

DURBAN. — Black "boycott breakers" in the Matubatuba area have been forced to drink paraffin and cooking oil and to eat soap after buying groceries in the town.

This is according to senior Natal MEC Mr Val Volker, who addressed a meeting near the Dukuduku forest yesterday, appealing for an end to the 10-day boycott of businesses there.

However, the boycott seems set to intensify this week after about 300 IFP supporters held a demonstration after the meeting.

IFP regional organiser in Empangeni Mr Robert Mkhize told Mr Volker the boycott could be called off "in one minute" if he ensured that police left the forest while talks were held.

CNA Gallo shareholders approve share split plan

B/Day 10/11/93

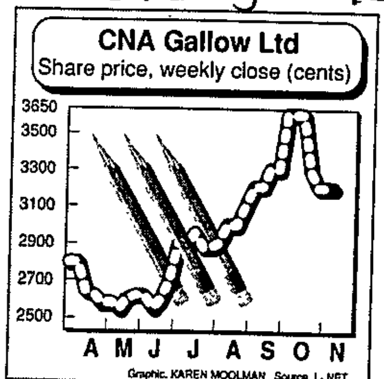
MARCIA KLEIN

RETAIL and entertainment group CNA Gallo, benefiting from an improved performance by its entertainment interests, increased earnings 9% to 40,3c (37c) a share in the six months to end-September.

The group, with interests in CNA, Nu Metro, Gallo, The Literary Group and Constantia Greeting cards, also said its shareholders yesterday approved a 10-for-1 share split to make its shares more tradeable. The share was unchanged yesterday at R32. The split shares would trade from November 15.

Turnover rose 12% to R470,6m (R419,7m), operating profit 6% to R19,1m (R18m) and attributable earnings 10% to R13,5m (R12,3m). An 8% higher interim dividend of 14c (13c) a share was declared.

Lower investment income was offset by lower net financing costs, bringing pre-tax income up 9% to



R14m (R12,9m). (30)

Cuzen said the increase in earnings

The effective tax rate was 42% compared with 45% the previous year, but CE Dennis Cuzen said CNA Gallo did not get the full benefit of the lower tax rate as there was a drop in dividends from offshore interests. CNA had also incurred one-off costs with an expansion and store development programme which were not tax deductible.

was achieved largely through an improved performance by the entertainment interests held in Gallo and Nu Metro. Gallo's improved results came off a low base. Nu Metro had benefited from closing non-performing sites, opening successful new sites and better product allocation.

Gallo's sales grew 29% and Nu Metro's 26%. Retail sales grew 7%. Cuzen said retail earnings had been under pressure because of reduced consumer spending, but trading had gradually improved in recent months.

Working capital had risen at a rate higher than sales as a result of the introduction of new product lines ahead of Christmas.

The tentative recovery in the economy, the fall in interest rates, an encouraging start to the agricultural season and political progress would enable CNA to maintain growth in the second six months. However, this would depend on CNA being able to attain Christmas and back-to-school sales budgets.

Businessmen more confident

Star 9/11/93

BY CLAIRE GEBHARDT

South Africa's business mood has improved to its highest level in more than three years.

Sacob's Business Confidence Index (BCI) for October soared 2,8 percentage points to 102,1 — levels last seen when Nelson Mandela was released from prison.

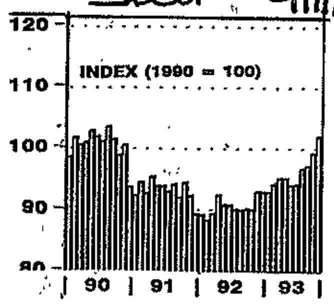
Director economic policy Dr Ben van Rensburg said the large rise suggested that the country's longest-ever recession had finally ended.

Eleven of the thirteen subindices which make up the BCI improved - the only negative influence in October was a lower level of merchandise exports than in September.

Positive contributing factors included the continued decline in the rate of inflation, an improvement in the foreign reserves, an increase in the number of new passenger car sales and a higher gold price.

Van Rensburg cautioned, however, that Sacob's recent survey of the small business sector and Christmas sales expectations indicated that the country was still in the very early, and tentative, stages of a turnaround. (30)

"The economic upswing is still vulnerable and will depend on South Africa's ability to absorb possible shocks which could emerge from election announcements and increased violence."



But he said that the steady increase in merchandise import volumes over the past five months, a rise in real retail sales, the marginal fall in registered unemployment and the decline in the number of insolvencies, all provided evidence that the economy had finally ceased to contract.

However, the economic upturn was likely to be slow as consumer demand was still very weak.

Van Rensburg said the stimulatory effect of the recent Bank rate cut would be limited to the extent to which lower interest rates encouraged consumers to spend on credit.

"The combined effects of retrenchments, increased taxes and low wage and salary increases have left the consumer in a weak financial position."

Sacob economist Keith Lockwood said sales prospects in the manufacturing sector were at their highest level since March 1989.

Business confidence at three-year high

(30)

CT 9/11/93

By AUDREY D'ANGELO
Business Editor

BUSINESS confidence has soared to its highest level for more than three years, according to the SA Chamber of Business (Sacob) index. It rose in October to 102,1% from 99,3% in September.

Sacob chief economist Ben van Rensburg says in his commentary that the 2,8% rise in the index "provides further evidence that the recession has finally ended.

"The improvement in 11 of the 13 sub-indices which make up the BCI suggests that early signs of recovery are starting to emerge in most sectors of the economy."

But, Van Rensburg warns:"SA is still in the very early and tentative stages of a turnaround and an economic upswing is still vulnerable.

"It will be necessary to sustain and to build upon recent positive developments if the economy is to continue to gather momentum. We cannot take the expected economic upturn for granted."

He points out that uncertainty surrounding future economic policies is likely to become more pronounced in the run-up to the elections, "since participating parties will go out of their way to emphasise their differences rather than the issues on which they agree."

And, he says:"The level of violence still remains an important factor. Sacob is concerned at the possible impact that electioneering will have."

The business confidence index has been rising steadily for the past five months after slipping back in May following the murder of Chris Hani. It averaged 90,6% last year when the highest level it reached was 93%.

Discussing signs of recovery, Van Rensburg says:"There can be little doubt that levels of domestic demand are starting to stabilise.

Prospects

"The steady increase in merchandise import volumes and passenger car sales over the past five months, the rise in real retail sales and marginal fall in the number of people registered as unemployed in the past three months, and the decline in the number of insolvencies all provide evidence of an economy which has finally ceased to contract.

"Added to this, both the physical volume of manufacturing production and the real value pf building plans passed have shown an improving trend in recent months and agricultural prospects are looking better.

"The improvements in the real economy have been complemented and facilitated by sustained improvements in many of the key financial indicators."

However, he says, the combined effects of retrenchments, increased taxes and low wage and salary increases have left the consumer in a weakened position.

The stimulatory effects of lower interest rates will therefore be limited by the extent to which people are encouraged to spend on credit.

"It is also of concern that export volumes have failed to continue gathering momentum, following significant improvements early in the year.

"This suggests that the world economy's performance is still ambivalent.

"While prospects for 1994 are better it is unlikely that SA will benefit from these to the same extent as many other developing countries, because of our continued reliance on metal and mineral exports and the relatively poor performance of the major European economies.

"SA's low foreign debt ratio, together with the continued outflow of foreign capital, will also limit the benefit to this country of declining interest rates in the major industrialised countries."

It's a gloomy outlook for Christmas sales

Star 9/11/93

BY CLAIRE GEBHARDT

Christmas retail sales are expected to rise by 6,7 percent to R19,9 billion this year — a 2,2 per cent decrease in real terms, says Sacob.

Senior economist Bill Lacey says the gloomy forecast has great significance for business, and the outlook for consumer spending, given that 22 percent of retail sales take place over the Christmas months of November and December.

"In the jewellery sector, the proportion of sales over the Christmas period is as high as 26 percent and in furniture/appliances, audio/video, footwear and clothing it exceeds 24 percent of total annual sales."

He points out, however, that the survey was concluded before the one percent bank rate cut and before the recent reduction in the petrol price.

"The actual outcome for Christmas sales could be better than expected."

The figures are also an improvement on last year when sales of R18,6 billion were 4,9 percent down in real terms.

All sectors showed a decline in real terms with the most seriously affected being sports goods, beverages/alcohol and durable goods.

(30)

Clothing, books and butchery were the most optimistic sectors forecasting increases of between 12,2 to 13,1 per cent.

Lacey said business was tending to keep the same level of stocks as last year.

This indicated that retailers were more optimistic than last year when stock levels were lowered.

"Consumers will be very sensitive to price and to quality, particularly in food."

Lacey said the pessimistic forecast was essentially an issue of political dimension and respondents would take their cue from what developed in the next six weeks.

Regionally, Kimberley and Klerksdorp were the most pessimistic areas in the survey.

Retailers resigned to slow Christmas

SHARON WOOD B/Day

RETAILERS are bracing themselves for a pedestrian Christmas, despite broad indications that the economy has turned.

Sacob's annual survey showed yesterday that business expected real retail sales to fall 2,2% year-on-year compared with a 4,9% drop the previous year. 9/11/93

Senior economist Bill Lacey said although the five-year recession appeared to have ended, the retail sector had a pessimistic outlook which broadly mirrored the circumstances of SA's economy as well as the underlying political uncertainty.

Respondents expected total sales of R19,9bn, up 6,7% on the actual R18,6bn value of sales last season. (30)

Real Christmas retail sales last rose during the two-month period in 1990, when they were up 2,1% to R15,5bn.

Lacey said no sectors in the economy expected real sales increases this year.

Sectors expecting the worst performances were those selling sports goods, beverages and alcohol, and durable goods; clothing and book retailers were expected to fare best.

Sacob said a number of factors could brighten the outlook. These were the effect on consumer confidence of the recent lowering of interest rates; clear evidence of a political settlement soon; and initiating business strategies to offset or modify the "snapshot" picture of Christmas sales expectations as shown in the survey.

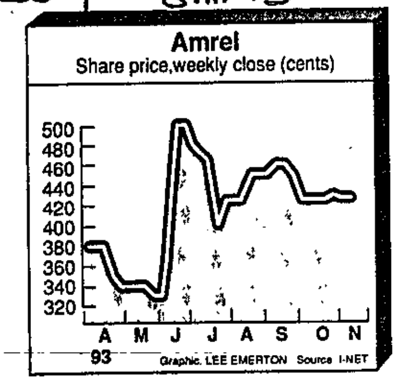
The Central Statistical Service's figures for August show that, for the first time since March, real retail trade sales showed a year-on-year increase of 1,0%.

● See Page 3

Four-fold jump in Amrel losses

BDay 8/11/93

MARCIA KLEIN



FURNITURE, footwear and clothing retailer Amrel's losses ballooned nearly four-fold to about R8m (R2,1m) in the six months to end-September as declining trading profits were eroded by financing costs.

MD Stan Berger said the trading environment had been difficult, and had particularly affected the cash businesses. The VAT increase, disruptions after Chris Hani's death and the inaccessibility of certain areas had "seriously inhibited consumer demand". (30)

The SA Breweries subsidiary sold Shoecorp Shoe Stores — including ABC and Cuthberts — to Edgars for R46,7m cash. Berger said that excluding the disposal, the number of stores fell by 18 compared to the end of the previous year because of closures in the group's footwear and apparel division.

Turnover, excluding Shoecorp, was up 5,7% to R536,6m. The furniture division, which includes Geen & Richards, Lubners, Furniture City and Tip Top, increased sales 6,2% (with no additional stores) to contribute 58% of group turnover.

Although turnover increased, trading profit slumped by a third to R20,1m from R30,2m on the back of pressures on gross margins and inflationary increases in expenses.

Net financing costs were 2% lower at R33,6m because of lower average borrowings as a result of the proceeds of the Shoecorp sale. Pre-tax losses were R13,5m, against R3,9m losses the previous year.

The bottom line loss of 86,5c (22,9c) a share was softened slightly by deferred tax credits on losses. No interim dividend was declared.

Berger said the Shoecorp disposal enabled Amrel to fund capex and reduce interest-bearing debt by R35,8m, reducing gearing to 350% from 380%.

April and May were poor months for the group, and the recovery since then had been extremely slow. Sales in October were fairly good, and Berger hoped sales over the Christmas period would match those of the previous year.

The outlook for the second half was "far from certain" as the volatile and depressed trading environment was likely to continue. In this light, the group would be hard pressed to break even for the full year.

Black business makes a claim on the new SA

S1 Times (Buss)

7/11/93

By ZILLA EFRAT

BLACK business flexed its muscles at an "Bosberaad" with the ANC last weekend in a bold attempt to chart its future growth.

The result, the Mopane agreement of understanding, was concluded on Sunday at a forum at the Kruger National Park attended by 60 ANC heavyweights led by secretary-general Cyril Ramaphosa and 200 black leaders from 75 business organisations.

Many areas of consensus were reached, but chief forum co-ordinator Willie Ramoshaba says one agreement may lead to a certain percentage of future parastatals and government tenders being "set aside" for black business.

He says parastatals alone generate R8-billion in contracts a year and black business involvement could range from contracting out services to supplying materials.

The details will be determined by a steering committee which was appointed at the forum and consists equally of black business leaders and ANC officials led by Tito Mboweni of the ANC's economic planning department.

The forum also agreed that an enabling fund should be established to help small to medium-size enterprises (SMEs). (30)

Mr Ramoshaba says the mechanics are still to be worked out but it is envisaged that both government and financial institutions would contribute to this fund, which would act as a pool for loans to black business.

The fund could also buy into "privatisation" or unbundling projects in bulk and sell shares to the black community.

Mr Ramoshaba says a significant outcome of the forum was that black business decided that its priority was to clean up its own house.

A first step will be a meeting in the next two weeks to deal with the ANC's relationship with Thebe Investments — an issue hotly debated at the forum even though it was not on the agenda.

Mr Ramoshaba says a major concern about Thebe Investments is that it is seen as unfair competition to black business. With its links to the ANC, it is often seen as the key representative of black business to foreign visitors.

In another development, the forum agreed that black business should create a caucus to represent such as Nafcoc and Fabcos. This would allow black business to have a greater impact on SA's various forums, particularly the National Economic Forum.

Nafcoc secretary-general Mike Leaf says a serious concern has been the divergence of opinion on SMEs within the NEF's business forum and there is a need to include black business's aspirations in agreements.

Mr Ramoshaba says the caucus will also enable local and foreign companies to deal directly with one party instead of the multitude of players they usually have to contact.

In addition, black business agreed to upgrade its own industrial relations practices in line with broader labour movements.

ANC spokesman Ronnie Mamoepa says the summit took place against the need to develop a reconstruction and development policy.

Once a democratic government is in place, a conscious decision will be made to implement some of the forum's agreements to ensure that the aspirations of black business are met.

WILLIE RAMOSHABA: Black business may get their cut of government tenders

☐ 'One voice' breakthough at look ahead conference

Black business lobby to press for change after April election

ARCG 6/10/93 30

ALIDE DASNOIS

A POWERFUL new black business lobby, with African National Congress backing, is to be set up to press the demands of its constituency in the post-election South Africa.

This emerged from a summit meeting of representatives of black business and the ANC last weekend at the Mopani Lodge in the Kruger National Park.

The meeting was attended by representatives of more than 75 black business organisations, including the Black Management Forum, Nafcoc and Fabcos. The ANC delegation was led by economics chief Trevor Manuel.

In what conference co-ordinator Danisa Baloyi described as a "breakthrough", the business delegates decided to form a black business caucus to lobby political parties and the government.

"We need to speak with one voice," said Ms Baloyi, who heads the newly formed Portfolio Club, a networking organisation for black business.

A steering committee for the caucus was appointed and the first meeting is to be held on the Witwatersrand this month.

Black Management Forum director Edwin Tchale said the summit had uncovered "large areas of common ground" between the ANC and black business.

He said the ANC had been sensitive to criticism from business people who felt they had not had enough support. On their side, the business representatives present had promised to play a bigger role — financial and educational — in the run-up to the election.

In the Mopani Memorandum of Understanding which came out of the summit ANC and business delegates agreed:

■ Black business should set up a mechanism of co-ordination with the ANC and other parties.

■ A black business caucus should be established to work on policy formulation and to lobby the National Economic Forum.

■ Affirmative-action legislation should be introduced by the next government, with targets both for shareholding and for management and with an effective monitoring process.

■ The lending criteria of state institutions such as the IDC and the DBSA should be reviewed to make them more responsive to the needs of black business.

■ Public corporations and parastatals should be restructured so they are more representative of South African society.

■ A National Enabling Fund should be established for small and medium enterprises.

■ The National Treatment Principle, which lays down that foreign investors should not receive preferential treatment over South African investors, should apply.

■ Anti-trust legislation should be reinforced to promote competition.

■ The role of women in business should be strengthened

■ Black business should improve its industrial relations practices in line with broader labour market conditions.

■ Black business should play a greater role in voter education and in the election.

Far from all right at the OK

(30)

HRCT 6/11/93

TOM HOOD
Business Editor

EMBATTLED OK Bazaars took the first step this week to get out of its horrendous debts and losses and renew its boast to be "the shop where South Africa shops".

But the road will be long and the effort could cost its Big Daddy, SA Breweries, as much as R3 billion.

With debt approaching R1 billion and R153 million of losses and write-offs piled up in the 18 months to September, the 60-year-old company's illness was diagnosed by some analysts as terminal.

These gentry look to the undertakers when a company's debt to equity ratio drops to 1:2. But OK shocked even the most pessimistic outsiders by revealing a 4:1 ratio. Its Big Daddy's is a mere 1:50.

Under the impact of fierce competition, economic recession and political instability, profit margins were sliced to 0,31 percent before interest and tax compared to 2,30 percent a year ago and 0,94 percent at the March year-end.

Two to three years down the line is the soonest that benefits from a huge restructuring can be expected, say the directors.

However, with Big Daddy buying out the minority shareholders for about R27 million and delisting the OK, the debt burden could be lifted, stores and goods updated and computer systems brought up to the level of competitors such as Woolworths, Pick'n Pay and Checkers.

Managing director Mervyn Serebro disclosed in an interview yesterday that he was optimistic and determined to give it a go.

He sees the Western Cape as a growth area, though there is a need to replace out-of-date stores with bright new supermarkets.

The main problem, he says, is shortage of sites in the Cape.

'We are pleased with the development of our Hyperamas there. But there has been no meaningful development by the OK chain for some time because sites have been difficult to come by. A lot of OK stores tend to be older stores.

"We have identified what we believe to be immediate growth opportunities in the Cape. But it is a question of getting our house in order first." The company was taking drastic action to reduce stock and enforce a rationalisation exercise across the board.

"We are happy with the Hyperama mix, but in OK we are trying to target everything towards the C-D income market. It is not appropriate to carry 19 kinds of deodorant or 14 makes of tinned mushrooms. We will be in the same range as we used to be."

Analysts believe the delisting of OK, making it a private company, could help to give it an edge over competitors, who will be deprived of regular and detailed reports of its business.

SAB moves to delist troubled OK Bazaars

CT 5/11/93 (30)

R10 a share offer to minorities

From MARCIA KLEIN

JOHANNESBURG. — SA Breweries (SAB) has decided to delist its troubled retail chain OK Bazaars in a bid to save it from a crippling debt burden.

SAB said today an offer of R10 a share would be made to OK minority shareholders. This compared with a net asset value of more than R15 and yesterday's closing price of R9. The offer would cost SAB R40m.

The announcement was made in conjunction with the release of interim results to end-September, which showed losses of 321,4c (20c profit) a share, a result significantly worse than market expectations.

The move came after continued assurances from management that the OK would not delist, and that its financial affairs were not materially different from those at the March year-end.

MD Mervyn Serebro said yesterday: "As the months went by, it became increasingly obvious that we could not trade our way out of the debt burden."

A possible delisting had been under discussion "from the moment" he was appointed MD in January. "The debt burden is enormous, and SAB will want us to delist in a process of recovery which will take years."

The OK had to re-engineer its whole business and re-gear financially. This could be done only if SAB owned the business in its entirety. Serebro said SAB had never considered selling the OK.

According to the announcement, management was restructured at the beginning of this year and a strategic view was taken to reposition the business. But losses continued and gearing reached "unsustainable levels". The restructuring programme would be protracted, and the OK would not be profitable for a number of years, but it was imperative that the huge debt burden be addressed. This could not be done with minorities in place.

Today's published interim results showed that turnover rose 6% to R2,69bn (R2,54bn), but operating profit was slashed to R8,5m (R58,6m). The operating margin was 0,3% (2,3%). Serebro said costs had moved up, and margins down.

Operating profit was eroded by the debt burden of R57,1m (R56,9m). The attributable loss was R39,9m from a last year's profit of R2,5m, and a R44,9m loss at the March year-end.

An additional R27,3m was written off as an extraordinary item for rationalisation costs. The interim dividend was passed.

Serebro said the OK had not expected to produce a profit this year. The company had shown real sales growth (with food inflation at 2,4%), but operating margins "were under considerable pressure".

Asked about the performance of OK and Hyperama stores, he said both had performed as expected. "There are problems in both businesses." Every aspect was being re-examined to maximise efficiencies, improve service and lower the cost of sales.

Serebro said he was not looking at closures, apart from stores whose leases were coming up for renewal. Large-scale retrenchments were not planned.

The OK would incur further losses at year-end, but at "a slightly reduced rate".

OK plunges R40 million into red in half-year

ARGS 5/11/93

SA Breweries set to take over and pump in cash

TOM HOOD and STEPHEN CRANSTON

FIERCE competition by rival supermarkets led to huge borrowings and plunging profit margins for OK Bazaars, which ended the half-year to September R40 milllion in the red.

The retail giant also wrote off R27 million from stores rationalisation. This followed a R45 million loss for the previous year.

But SA Breweries, which owns 69 percent of OK, want to take over, buy out all other shareholders, pump cash into the chain and go for a full-scale restructuring.

OK has also been saddled with a debt:equity ratio of almost four to one.

Shareholders are being offered R10 for each of their shares against the latest market price of R9, although the price rose R2 yesterday as news of the offer leaked out.

If shareholders take the offer, OK will end a 60-year listing on the JSE.

The offer is described by OK managing director Mervyn Serebro as generous, although it represents a discount of a third on net asset value of R15,42.

Minorities can either convert into SAB shares priced at R68, or take the cash.

SAB group financial director Selwyn MacFarlane said there would be a serious and comprehensive effort to put the OK back in profit, but that losses would continue for a few years.

He said the OK and the SAB head office would work closer than before.

There was frequent criticism that SAB took too much of a hands-off approach to the OK during Gordon Hood's ten-year incumbency at the chain.

Mr Serebro said that in spite of socio-political instability, the group still showed real sales growth.

Turnover increased by 5,8 percent to R2 692million, while the weighted inflation rate for the group's basket of goods was 4,4 percent.

But margins were sliced to 0,31 percent from 2,30 percent a year ago — which translated into only 0,31c gross profit from every R1 of sales against 2,30c a year ago.

Mr Serebro said the refocusing of the OK as a mass market discounter was undoubtedly correct.

The merchandise range was being rationalised. For example, in one merchandise category it was cutting the lines carried from 19 to four.

He said the business was being reviewed to maximise efficiency, improve customer service and lower sales costs.

"Progress to date has been slow as a result of the weakness of the economy," he said.

Operating margins remained under pressure, and expenses had not yet benefited from the structural change.

Operating profit plummeted from R58,6 million to R8,5 million, while interest paid was virtually unchanged at R57,1 million.

There was a huge increase in long-term debt from R43,5 million to R232,2 million.

Total debt rocketed from R743,8 million to R936,7 million, ruling out dividends for years, while shareholders' funds plunged from R366,8 million to R208,8 million.

Total assets rose by 6 percent, with stock and debtors both increasing.

Mr Serebro said stock had been reduced dramatically since the end of September and would be further reduced as the OK rationalised ranges.

He said external factors were unlikely to show any improvement over the next six months, particularly as the election date drew nearer.

Minorities to be offered R10 a share

SAB to delist debt-ridden OK Bazaars

BDay 5/11/93

MARCIA KLEIN

SA Breweries (SAB) has decided to delist its troubled retail chain OK Bazaars in an effort to save it from a crippling debt burden of R57m.

SAB said an offer of R10 a share would be made to OK minority shareholders. This compared with a net asset value of more than R15 and yesterday's closing price of R9. The offer would cost SAB R40m.

Today's announcement coincided with the release of interim results to end-September, which showed losses of 321,4c (20c profit) a share, a result significantly worse than market expectations. (30)

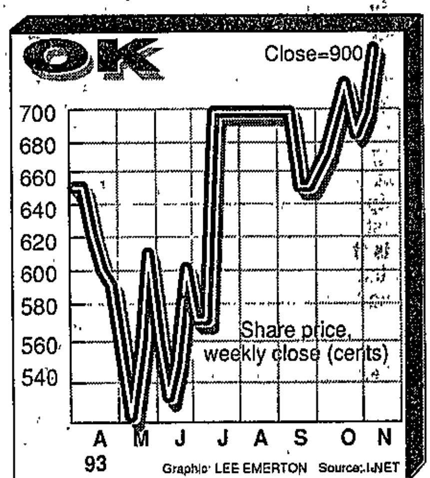
The move came after continued assurances from management that the OK would not delist, and that its financial affairs were not materially different from those at the March year-end.

MD Mervyn Serebro said yesterday: "As the months went by, it became increasingly obvious that we could not trade our way out of the debt burden."

A delisting had been under discussion "from the moment" he was appointed MD in January. "The debt burden is enormous, and SAB will want us to delist in a process of recovery which will take years."

The OK had to re-engineer its whole business and regear financially. This could be done only if SAB owned the business in its entirety. Serebro said SAB had never considered selling the OK.

According to the announcement, management was restructured at the beginning of this year and a strategic view was taken



to reposition the business. But losses continued and gearing reached "unsustainable levels". The restructuring programme would be protracted, and the OK would not be profitable for a number of years, but it was imperative that the huge debt burden be addressed. This could not be done with minorities in place.

Today's published interim results showed that turnover rose 6% to R2,89bn (R2,54bn), but operating profit was slashed to R8,5m (R58,6m). The operating margin was 0,3% (2,3%). Serebro said costs had moved up, and margins down.

Operating profit was eroded by the debt burden of R57,1m (R56,9m). The attributable loss was R39,9m from last year's pro-

☐ To Page 2

OK Bazaars

BDay 5/11/93

☐ From Page 1

fit of R2,5m, and a R44,9m loss at the March year-end. (30)

An additional R27,3m was written off as an extraordinary item for rationalisation costs. The interim dividend was passed.

Serebro said the OK had not expected to produce a profit this year. The company had shown real sales growth (with food inflation at 2,4%), but operating margins were "under considerable pressure".

Asked about the performance of OK and Hyperama stores, he said both had performed as expected. "There are problems in both businesses." Every aspect was being re-examined to maximise efficiencies, improve service and lower sales costs.

Serebro said he was not looking at closures, apart from stores whose leases were coming up for renewal. Large-scale retrenchments were not planned.

The OK would incur further losses at year-end, but at "a slightly reduced rate".

ARG 5/11/93 (30)

SAB plans takeover of OK after chain loses R67-million

TOM HOOD, Business Editor

SA BREWERIES is to take over OK Bazaars after fierce competition among supermarkets landed the retail giant with R67 million of losses and write-offs in the six months to September.

OK was forced to slash prices and profit margins and increase its borrowings by R207 million to R935 million.

Turnover rose R148 million to R2 692 million, but from every R1 rung up at the tills, OK earned less than one third of a cent profit — compared with a 2,3c profit a year ago.

The company ended the half-year with a R40 million loss compared with a R2 million profit a year ago and wrote off another R27 million of losses caused by rationalisation — including store closures and retrenchments.

These losses piled up on a R46 million loss incurred in the year ending March 31.

Now SA Breweries, which owns 69 percent of OK's shares, is offering to buy out the other shareholders, dangling R10 a share against the latest market price of R9, although the price rose R2 yesterday as news of the offer leaked out.

If shareholders take the offer OK will end a 60-year listing on the JSE and Breweries will pump more cash into the chain and go for a full-scale restructuring.

Managing-director Mervyn Serebro says OK is being refocused as a mass-market discounter and the merchandise range is being rationalised. For example, in one merchandise category it is cutting the lines it carries from 19 to four.

Every facet of the business is being re-examined with a view to maximum efficiency, improving customer service and lowering sales costs.

Pick 'n Pay loses court contest with Bartlett

B/Day 5/11/93

CAPE TOWN — Two Pick 'n Pay companies yesterday lost their urgent court application to have a ministerial ban on their petrol discount scheme overturned.

The application, brought in the Cape Town Supreme Court by Pick 'n Pay Retailers and Hypermarkets (Pty) Ltd against Mineral and Energy Affairs Minister George Bartlett, was dismissed with costs by Judge F D J Brand, with Judge J H Conradie concurring. (30)

In terms of the scheme, customers at Pick 'n Pay's Durban outlet received coupons which entitled them to a 7c discount on petrol bought there.

The judge said the question was not whether, objectively speaking, the Minister's decision to prohibit the scheme was right or wrong, as the Petroleum Products Act gave him wide discretion to decide. The question related instead to the exercise of this discretion.

Pick 'n Pay argued that Barlett had failed to apply his mind to the "manifestly wrong" decision, took into account irrelevant considerations and had not made a decision in accordance with the tenets of natural justice.

It argued that the scheme did not affect

LINDA ENSOR

the selling price of petrol at the outlet, as claimed by Bartlett, as the outlet sold the petrol at the prescribed price. Pick 'n Pay argued that the law allowed for a scheme which affected the purchase price but not the selling price.

However, the judge found the selling price referred to in legislation referred not only to the price received by the outlet but also to the price paid by the customer.

"It is therefore almost inconceivable that the legislature intended to draw a distinction between the 'purchase price' and the 'selling price' in terms of one sale." The judge said the scheme did affect the selling price as it enabled the customer to purchase petrol at a discount.

The judge found that Bartlett's view that the scheme would affect not only the selling price at the particular outlet but also the selling price of petrol at other outlets was correct.

Pick 'n Pay joint MD Gareth Ackerman said afterwards the judgment highlighted the "all-encompassing and absolute nature of the laws protecting the oil industry".

OK being delisted after 60 years

Star 5/11/93

BY STEPHEN CRANSTON

The OK is to be delisted from the JSE after 60 years on the boards, making it one of the longest-listed of industrial shares.

Losses were expected for the six months to September, but the R39,9 million attributable loss, equivalent to 321,4c a share, was worse than even the most pessimistic forecasts.

OK has also been saddled with a debt:equity ratio of almost four to one.

To allow for a full-scale financial restructuring, parent company SAB has decided to buy out minorities.

The offer is described by OK MD Mervyn Serebro as generous.

Shareholders will be offered R10 a share. The share price rose yesterday to R9 from R7 on disclosure of the offer. The offer represents a discount of a third on net asset value of R15,42.

Minorities can either convert into SAB shares priced at R68 or take the cash. 30

SAB group financial director Selwyn MacFarlane says there will be a serious and comprehensive effort to put the OK back in profit, but that losses will continue for the next few years at least.

He says the OK and the SAB head office will work more closely together than before.

There was frequent criticism that SAB took too much of a hands-off approach to the OK during Gordon Hood's ten-year incumbency at the chain.

Serebro says that despite socio-political instability, the group still showed real sales growth.

Turnover increased by 5,8 percent to R2 692,3 billion, while the weighted inflation rate for the group's basket of goods was 4,4 percent.

Serebro says that the refocusing of the OK as a mass market discounter is undoubtedly correct.

The merchandise range is being rationalised. For example, in one merchandise category it is cutting the lines it carries from 19 to four.

Serebro says every facet of the business is being re-examined with a view to maximising efficiency, improving customer service and lowering sales costs.

"Progress to date has been slow as a result of the weakness of the economy," he says.

Operating margins remain under pressure, and expenses have not yet benefited from the structural change.

Operating income plummeted from R58,6 million to R8,5 million, while interest paid was virtually unchanged at R57,1 million.

There was a substantial increase in long-term debt from R43,5 million to R232,2 million.

Total debt increased from R743,8 million to R936,7 million. Shareholders' funds fell from R366,8 million to R208,8 million.

Total assets rose by six percent, with both stock and debtors increasing.

Serebro says stock has been reduced sharply since the end of September and will be further reduced as the OK rationalises ranges.

He says external factors are unlikely to show any improvement over the next six months, particularly as the election date draws nearer.

Some sinking at Waterfront?

CT 4/11/93 (30)

Staff Reporter

FALTERING businesses at the Victoria and Alfred Waterfront, some of which are trying to hold on till the life-saving festive season, yesterday accused the management of failing in its duty.

Afro Dizzy owner Mr Peter Hodgskin said "a lot of people are in trouble". He blamed management for discarding the marketing of the original venues once the Victoria Wharf opened.

Mr Don Titmus, owner of Peers and Pier Edge, said the Waterfront was "dead during the week". He believes its novelty has worn off.

Several tenants said there was widespread unhappiness over marketing, which Markhams area manager Mr Chum Edwards described as not being aimed at the average year-round shopper.

"There are thousands of people walking around going to movies and restaurants and giving the impression that the Victoria Wharf is doing well, but many of them are only window shopping," he said.

The popular venue is not performing as well as its Durban and Johannesburg counterparts, councillor Mr Leon Markowitz, who owns Sports Cafe, said.

However, Cape Union Mart and the Pick'n Pay Pantry are both overwhelmed by their Waterfront sales, which are among their best in the province.

Their spokesmen stress that they rely on their own promotions to attract business.

Sacks Butchery and the V & A Pharmacy are also satisfied with their performance, and pubs Quay Four and Mortons continue to pack in customers.

Mortons part-owner Mr Hugh von Zahn attributed failure elsewhere to catering for the wrong market — a belief also held by Victoria and Alfred Waterfront Company managing director Mr David Jack.

"The family restaurants are doing very well, but fine restaurants are suffering in the recession. This is as true for Peers and others in the Waterfront as it is across the city," he said.

Commenting on the complaints from unhappy tenants, he said the Waterfront had been marketed as a family destination, not a glitsy tourist venue. This year, he said, management had managed to attract "an average of a million visitors a month".

He added that a recent survey had shown that 80% of southern suburbs and Atlantic seaboard residents visit the Waterfront three times a month.

Business Report

Sales House plans major thrust into W Cape

(30)

By MAGGIE ROWLEY
Property Editor CT 3/11/93

SALES House, the 113-chain star performer in the Edgars group, is planning a major thrust into the Western Cape.

Three new stores are to be opened in Cape Town next year including a 2 700m² outlet in the old Garlicks building in Adderley Street and other new sites are being sought, says operations manager Norman Franken.

The opening of the Adderley store in March forms part of the chain's programme to reposition its stores in major CBDs and shopping centres nationwide — and away from its past locations near taxi ranks and railway stations.

A 20-year-lease has been signed with new owners of the building, Norwich Life.

Franken said R3,5m would be spent on shopfittings and decor at the Adderley Street store.

Closed

Within two years the chain intends being in all major CBD areas around the country, he said.

The other stores opening in Cape Town in 1994 include a 1 000m² store in Main Road, Wynberg — which opens in March — and a 1 500m² store in The Link shopping centre, Claremont, which opens in September next year. The existing Claremont store near the railway station is to be closed.

"We have been under-represented in the Cape for many years and we now intend targeting the Cape with an extensive marketing, merchandising and advertising programme," said Franken.

Two years ago Sales House opened a store in Mitchells Plain which had performed way above expectations and a new store had been opened in Paarl last year.

The chain also has a small outlet in Bellville.

ANC/business indaba

(30) CT 2/11/93

JOHANNESBURG. — South Africa's black business groups have begun to flex their collective muscle as the country moves towards a new political dispensation.

The business groups, which held a three-day indaba with the ANC at the Kruger National Park's Mopani Lodge at the weekend, told a news conference here yesterday that they had felt extremely concerned that the ANC and other political players appeared to have given them a cold shoulder in favour of white big business.

The groups and the ANC agreed a new government would have to introduce affirmation action legislation which would "set clear negotiable targets to be achieved in both management and business equity, and in addition establish an effective monitoring process".

ANC economic planning department deputy head Mr Tito Mboweni said the proposal would now be put before his organisation's National Executive Committee. — Sapa

Metcash rises above recessionary situation

Star 3/12/93

■ BY STEPHEN CRANSTON

Metro Cash and Carry went through a difficult six months to October.

Turnover rose by just seven percent to R2,8 billion, with the recession and reduced consumer spending hitting the entire wholesale sector.

Nevertheless, astute operating and financial management enabled Metro to lift attributable earnings 30 percent to R31,4 million and earnings per share by the same percentage to 19,1c.

The dividend has been raised 25 percent to 7,5c.

Greater efficiency enabled Metro to increase operating profit 23 percent to R39 million.

Metro's cash position improved, with cash resources up to R292,5 million and the remaining R20,7 million of borrowings eliminated.

This enabled interest received to jump 56 percent to R10,7 million. (30)

The pre-tax margin rose from 1,69 percent to 1,91 percent of sales, but MD Carlos dos Santos says it is still below the management target of 2,5 percent.

He says trading conditions show no signs of improving and. With the election next April, it is difficult to make accurate forecasts.

In mid-December Metro opens a store at Magnitogorsk, 2 000 km from Moscow. The first Israeli operation opens in Haifa in April.

Metro has made a strong turnaround in the two-and-a-half years it has been part of Premier. It is trading at a high of 745c, well up on the 450c of a year ago.

Its P/E of 19,4 and dividend yield of 2,1 percent are not expensive for a retail share with so much potential.

Bekkersdal consumer boycott holds

Sowetan 3/1/1993

By Mzimasi Ngudle

TILLS were still quiet in Westonaria yesterday as Bekkersdal residents entered the 10th day of their consumer boycott in protest against the deployment of the Internal Stability Unit.

Hard hit are small Indian shopowners whose sales have plummeted to between a 90 and 100 percent low.

Bekkersdal township was still tense with groups of toyi-toying youths demanding an immediate withdrawal of ISU members.

Police spokesman Major Henriette Bester said 15 people have been killed and 22 others injured in unrest-related incidents since the beginning of this month.

One man was been arrested for murder and another for illegal possession of a firearm and ammunition.

Business Forum member Mr Abdul Saloojee said many businesses recorded a 100 percent loss of custom. Residents were doing their New Year shopping in Randfontein, to which big businesses referred their customers.

March called off

30

OK Bazaars manager Mr Johan Lootz had only three tills manned yesterday. Lootz said some of the staff had been transferred to Randfontein.

In Bekkersdal a march by taxi operators was called off after an African National Congress official, Mr Harrison Swayi, defused a stand-off that ensued when they differed on "rules".

Members of the Internal Stability Unit patrolled the nearby squatter camp while others manned a roadblock at the entrance to the township.

Youths randomly manned their own roadblocks, stopping and searching minibus taxis for boycott busters.

The youths snatched parcels from those who bought in Westonaria, leaving only those who made their groceries in Randfontein.

Hundreds of residents hurled abuse at the police as they were towing a Buffel which had ploughed into a ravine in the Holomisa section of the camp. The Buffel almost rolled as the police were trying to cross a small bridge which collapsed. Nobody was injured.

By late yesterday the Business Forum was arranging a meeting with the Consumer Boycott Committee.

Zimbabwe to boost local firms

C.T. 31/12/93

HARARE. — Zimbabwe is examining several measures, including setting up a trust fund to back local businesses, to try to put control of the economy in the hands of the majority blacks, President Robert Mugabe said. (30)

But he rejected calls that more state funds be channelled to the black-dominated indigenous business development centre (IBDC), saying this would entail higher taxes for Zimbabweans.

Mugabe told state television on Wednesday night that proceeds from sales of shares of state-funded companies could be deposited in the fund.

Black industrialists accuse the country's foreign-owned banks of refusing to give them loans but the banks say blacks lack collateral security and good investment plans.

Mugabe said the World Bank, main backer of Zimbabwe's five-year reforms ending in 1995, had agreed to loan the IBDC US $30m to augment the government's US $15m given to the body last year to promote black enterprises.

Retailers had 'great' Xmas

CT 28/12/93 (30)

By ARI JACOBSON

CAPE TOWN retailers are rubbing their hands after what most traders described as a "great" Christmas — with sales exceeding expectations.

This was the opinion across the business spectrum, from informal trading at Greenmarket Square to "big ticket" items from furniture stores and food purchases from the large retail chains.

"The recession is over," one trader said. "There is no other explanation for the way people came out shopping."

Far better

Pick 'n Pay regional general manager Mr John Barry said sales had gone "very well" with "toys excelling".

Wooltru financial director Mr John Lavies said Woolworths' sales were up "a rough 5% in real terms" and that this was far better than expected.

Clicks' deputy managing director Mr Raymond Godfrey said trading had been "quite satisfactory", with a gain of just over 12% in nominal terms.

Recession is over — traders

The trend was the same at shopping centres.

Cavendish Square's general manager Mr Harry Riddell said sales had gone "extremely well".

At the Victoria & Alfred complex some traders reported sales as much as 40% better than last year, said spokeswoman Ms Maureen Thomson.

She said Sunday had been the busiest day "ever", with some 2 000 cars entering the complex every hour right through into the night.

A manager at Greenmarket Square, Mr Paul Davis, said traders at the market were "in general very happy", and this despite the increased competition from other informal markets.

At Tafelberg furniture store "big ticket" items such as washing machines, hi-fi systems and TV sets were all in demand.

"Everyone seemed to have money," said spokesman Mr Heil Hartwig.

Leather wholesaler Woodheads' sales director Mr Richard Harris said trading had been "very good" over the Christmas period.

Exception

Exclusive Books reported a "nice Christmas", especially over the last week.

Mr Mike Lemkus of Lemkus Sports was an exception, saying that "last year was great and this year was only good".

He said that some business in the city centre had been "lost" to the V & A Waterfront.

Residents boycott Brakpan shops

Sowetan 27/12/93

By Joshua Raboroko

■ TOUGH ACTION Residents are angry present over council's attitude':

(30)

RESIDENTS OF GELUKSDAL AND Tsakane townships have launched a consumer boycott of businesses in Brakpan in protest against what they say is the council's "racist attitude".

The protest action comes a week after Local Government Minister Dr Tertius Delport announced that he would take tough action against racist town councils refusing to merge with their black counterparts.

Introducing debate on the Local Government Transition Bill, the Minister warned local authorities not to underestimate the powers given to provincial administrators by the Bill.

Residents say the Conservative Party-controlled Brakpan Town Council had failed to resolve their grievances with the Geluksdal Action Committee and the Tsakane Town Council. The residents are demanding that electricity be switched on in Geluksdal, which has had no lights for eight weeks.

Other demands include that:

- The sheriff of the court be banned for alleged harassment of Tsakane and Geluksdal residents failing to pay their debts;
- More police be deployed to fight the high crime-rate;
- Recognition of the South African Municipal Workers Union be recognised by the municipality; and
- Municipal bus fares be reduced and services be improved.

Geluksdal Action Committee general secretary Mr Mike Moses said they decided to boycott Brakpan's central business district because business was contributing hundreds of thousands of rands to the town council in the form of tax, rates and other tariffs.

"We want them to feel the pinch and to put pressure on the council to negotiate with other structures," he said, adding, "time is running out for people to be still having such attitudes.".

He contended that Brakpan Council was one of the many council that historically benefited or favoured white communities. This imbalance had to be addressed urgently if peace, stability and progress were to be achieved.

Cash registers play jolly festive tune

B/Day 24/12/93

(30)

BEATRIX PAYNE

CASH registers are ringing in tune with carols at most Johannesburg shopping malls this Christmas as centre managers report large increases over last year's sales figures.

Overall, shopping centres and inner city department stores reported a significant increase in sales, although centre managers said there had been a noticeable shopping trend away from luxury goods to carefully considered basic purchases.

Pedestrian traffic in most centres had increased by about 10% this month compared with last year.

A Central Statistical Service report released yesterday showed that rising Christmas sales mirrored increases in retail trade since July, with inflation adjusted sales for October being 1,6% higher than in September. The report said real sales for October had increased 2,3% compared with October 1992, particularly in the food and clothing sectors.

Sandton City manager Roger Corlett said the last-minute shopping rush began yesterday. "There was pandemonium. It was a fantastic day. We are ecstatic."

The number of shoppers entering the centre, based on parking figures, had increased 12% over last year. Corlett said pedestrian traffic might have been lower last year because of the centre's refurbishment last Christmas.

Most Sandton traders experienced a

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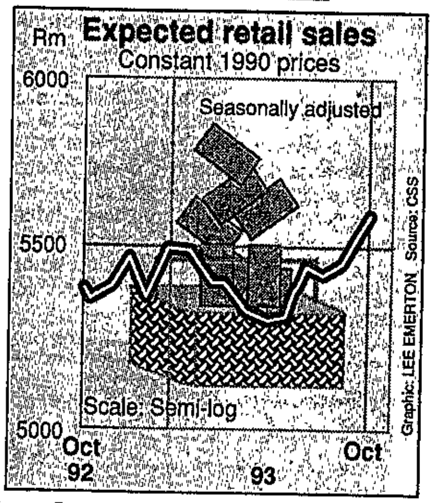


Cash registers

B/Day 24/12/93

☐ From Page 1

peak in Christmas trade in November, as many shoppers went away over December. Corlett said there had been an increase in real term sales over this period of 5%-10%.

Southgate marketing manager Monica Feldsman said there had been "record sales" this month. About a million shoppers — almost 45% more than last year — had visited the centre over the past three weeks. She believed December sales would increase by about 25% over last year. Some of the major stores had reported sales increases of up to 60%. (30)

Cresta Centre manager Savvas Koutoufides said: "We've seen a major increase in foot traffic compared with last year. Tenants are doing a lot better."

Eastgate manager Mike Rodel said: "No one expected fireworks but business has definitely picked up on last year. It is about what we expected." There had been an 11% increase in pedestrian traffic compared with last Christmas and the centre expected 1,75-million visitors this Christmas.

He expected the centre to record overall growth of 8%-16% on last December.

Westgate marketing manager Denise Niemack said spending per head this Christmas was down on last year although pedestrian traffic had increased

Black business blossoms

Sowetan 23/12/93

■ HOPES RUN HIGH But danger lurks of expecting too much too soon:

By Mzimkulu Malunga

HAVING MADE A LOT of headway in 1993, black business should not pin too much hope on the new government after the April 27 election

Many black business people seem to think that the hostile environment under which they operate will suddenly disappear after the elections.

Apart from the danger of expecting too much from a government that is going to rule by consensus, the people from whom black business expects assistance pay only lip-service to black economic empowerment

Black politicians are always willing to shout black advancement from public platforms for the obvious reason of winning more votes in the elections, but the very same politicians give business to white companies rather than black ones.

Even in situations where black service has proved itself, black organisations still doubt black companies' ability to deliver.

Black companies appear to be only favoured when black organisations are cash strapped. Black business is asked to do things in the interest of the struggle, but once funding has been sourced, off goes the money into the bank accounts of white business.

Once money flows into black organisations questions like "Are you going to be around next year?" and "What is your track record?" are thrown at black companies some of whom have earned high respect even among their white competitors.

There is still no clear role for black business in the post-April 27 era.

However, despite operating in this hostile environment black business made a number of advances this year

In organised black business circles, 1993 will perhaps be remembered as the year in which the artificial divisions of the past were overcome, not through mergers, but with closer working relationship.

Closed ranks

As opposed to the previous years, black business as a whole closed ranks to protect that sector's interests more often this year.

For the first time since the Foundation for African Business and Consumer Services was formed over five years ago, it had an official representative to the annual conference of the National African Federated Chamber of Commerce and Industry.

Though this development went mostly unnoticed, it marked a milestone in the relationship of the two organisations who have been bitter rivals

Nafcoc president Mr Archie Nkonyeni's call for the restructuring of organisations like the Small Business Development Corporation received widespread applause from all sectors of organised black business.

More businesslike

This year's Nafcoc conference was unlike of the previous ones. In addition to being more businesslike, it will go down in the organisation's history books as an occasion during which business women refused to be relegated to the back seat.

For 28 years they have been going to such gatherings only accompanying their husbands, but this year they organised themselves under the banner of the Women's Forum to cater for their interests within Nafcoc's ranks.

Many Fabcos and Nafcoc affiliates, particularly in the taxi and liquor sectors, joined forces in numerous battles they fought this year.

Unfortunately, the taxi industry — once hailed as the living testimony of black achievement — continued to plunge further into crisis with blood still staining the taxi ranks.

Even attempts to resolve the conflict were clouded by controversy when the National Transport Policy Forum's three-day conference was shunned by one of the biggest taxi associations in the country.

The establishment of the Black Business Caucus (BBC) which was born out of what has become to be known as the "Mopane Understanding", following a bush conference between black business and the ANC, was another encouraging development

More encouraging

What is even more encouraging is a resolution which the BBC took later in the year not to limit its consultation with political organisations to the ANC alone As for the black corporate world, there were also a number of encouraging factors.

Though many still remain small and informal, black companies are growing at an amazing pace. They range from bottle and can collection, distribution and warehousing to the manufacturing of household and hair care products.

The year also saw the emergence of big black business with the establishment of Metlife Investment Holdings (Methold) in which black business bought a significant stake in insurance giant Metropolitan Life

On the other hand, Thebe Investment appears to have successfully shrugged off accusations that it was the ANC's business wing and join ranks with other black companies to fight for the common goal.

The company continued to flex its muscles throughout the year with the outstanding ventures being Thebe's involvement in the formation of Bhekisizwe Computer Systems and Nolwazi Educational Publishers, through teaming up with other black businesses.

Black hair care products manufacturers Black Like Me reached the peak of its involvement in boxing sponsorship by financially backing a major world title bout in which Dingaan Thobela won the World Boxing Association's lightweight title.

History was made when a black distributor, Moses Mgcina, became the first black person to win the Sanlam sponsored SBDC Entrepreneur of the Year.

Black gains

Perhaps the gains which black companies are making could strengthen even further if they get rid of the false idea that because they are black and hold the moral high ground, black enterprises cannot be subjected to criticism, constructive or otherwise.

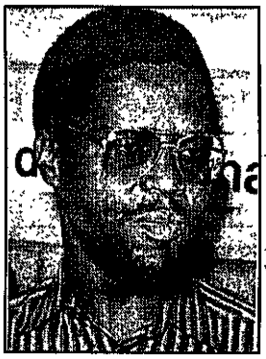
The saga which followed the allegations of corruption within the ranks of National Sorghum Breweries must have taught many black people a lesson.

Reacting angrily to allegations of corruption without coming out clearly does not push the issue into oblivion; it merely buries a seed into the ground and there is no guarantee that when the rain comes the issue will not raise its head again.

The argument that is being advanced by many black people following the NSB story is that most of the things mentioned are no different from what happens in white companies, could be very destructive in the long run.

While it is time to build black business monuments, as the Methold advert says, it is also time not to pin hopes on blackness alone

Instead we must work even harder and not copy the wrong things done by white business.



Vusi Khanyile ... his company is "not fronting for the ANC".

Archie Nkonyeni ... called for the restructuring of the SBDC.

> "While it is time to build black business monuments, it is also time not to rely on blackness alone"

Moses Mgcina, the first black to win the Sanlam/SBDC Entrepreneur of the Year award, with his son Sfiso (left).

8.2 Regular Employment

Bekkersdal boycott launched

CT 23/12/93 (30)

Own Correspondent

JOHANNESBURG. — Bekkersdal residents launched a consumer boycott yesterday to protest the presence of the SAP's internal stability division and SADF troops in the township.

Before calling for the boycott of businesses in neighbouring Westonaria, residents marched through the township streets to the police station to demand the immediate withdrawal of the division and confinement of the soldiers to barracks.

Sapa reports that West Rand police liaison officer Major Henriette Bester, who was in the township, said the march had proceeded peacefully and no incidents were reported.

In a written reply to the protesters, the SAP said the division would not be withdrawn from Bekkersdal as it was "the duty of police to protect the lives and properties of all residents".

Five people have been killed since the outbreak of violence in Bekkersdal at the weekend.

- Three deaths were reported on the East Rand yesterday. Police said the bodies of two men who had been shot were found in Tsakane, and a man was hacked to death in Thokoza.

Boycott over SAP unit called off

Star 22/12/93

BY HAPPY NKHOMA

A consumer boycott by East Rand township residents to support the call for the withdrawal of the Internal Stability Unit (ISU) from Tokoza and Katlehong has been called off because it was condemned by residents and marred by intimidation.

Residents said yesterday that they had not been informed on time about the boycott and would ignore it because the youths who supported the boycott were harassing them. (30)

The boycott was called by the ANC-SACP-Cosatu alliance at the beginning of this month.

It was aimed at forcing businessmen in Germiston and Alberton to exert pressure on the Government to withdraw the ISU from the townships.

Residents said the alliance had ended the boycott when thugs harassed them on the pretext of finding defaulters.

"Thank God it is over. We were afraid of even carrying bags because the youths labelled any parcel as a purchase from town," a Tokoza housewife said.

Hopes for 5% real growth

Retailers expect strong festive sales

B/DAY 22/12/93

(30)

MARCIA KLEIN

MAJOR retailers expect a very merry Christmas with 5% real growth in sales over the season — the first real growth in three years.

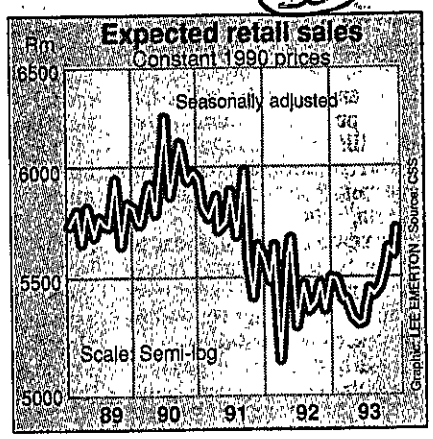
In the past few years retailers experienced nail-biting finishes as they waited anxiously for the Christmas rush, which failed to materialise until a day or two before Christmas. But this year they received early indications that sales prospects were good.

Central Statistical Service figures released yesterday showed that major retailers expected retail trade sales over November and December to increase 14% to R21,2bn, compared with R18,6bn last year.

The 5% real increase — based on estimates from 100 major retail trade firms — compared with a real decline of 2,9% in 1992 from the previous year. The last time there was a real increase in Christmas sales was in 1990, when sales rose 2,1% in real terms to R15,5bn.

This month retailers said they were confident of good sales over Christmas after relatively buoyant November sales and a good first week in December. In contrast to Sacob's November estimate of a 2,2% real decline in Christmas sales, many retailers forecast real sales growth of about 2%. Recently they said sales were living up to expectations.

Analysts said a 5% real growth was significantly better than expectations and



would bring retailers' sales figures ahead of budgets. But some said there had been significant pre-Christmas sales which could indicate that stock would not move as fast as expected in the critical last few shopping days. It would also mean that goods would be sold at lower margins.

Market sources said the glowing sales forecasts were surprising, as there was little reason why consumers should have more disposable income. Although there were signs of an improvement in the economy, this had not yet filtered through to individuals' pockets.

The higher sales could be partly attributed to a noticeable rise in sales in agricultural areas after the end of the drought.

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Retailers

B/DAY 22/12/93

☐ From Page 1

There had also been a third-quarter acceleration in the extension of credit. Instalment sales were significantly higher than in the first and second quarters. These trends would show in higher sales of clothing, furniture and appliances. An analyst said furniture sales rose about 12% in November and looked set to rise further.

Although there was little evidence that disposable income had increased, there were signs of an improvement in consumer confidence following a recent cut in interest rates, the lifting of sanctions and evidence of a political settlement.

(30)

The trend of more buoyant sales activity was expected to continue into 1994. Although the first few months were traditionally sluggish, there was a generally better outlook for the full year.

With the prospects of a new government and international funding, housing was expected to be a priority. This would lead to demand for furniture and household goods. There was likely to be an increase in employment if overseas investment materialised, and this would result in more disposable income.

Late splurge saves retailers

S I Times 19/12/93

WITH only five shopping days to Christmas, a late wave of festive spending has clocked up millions on store tills in the Western Cape — in spite of one of the worst recessions South Africa has known.

By JEREMY WOODS

The sudden surge in retail sales flies in the face of doom-and-gloom predictions by retailers — many of whom will be pulled back from the brink of financial disaster as the roughest year in retailing history draws to a close.

The key factors behind the spending seem to be renewed confidence that the recession is over, booming stock markets and high optimism for political stability after the April 27 general elections.

'Trading down'

Major retailers in the central business district, Waterfront, Cavendish Square in Claremont, and Tyger Valley report late but hectic buying.

On Friday, the first day of its "Red Hanger" sale, Edgars Stores in the Western Cape took more money than on any other day in the group's history.

"Forget the recession. People are spending more money because their confidence is back," said Rob Lanning, divisional manager of Edgars' Western Cape stores.

"The economy has turned the corner, we have a firm election date and prices have been soaring."

On the Waterfront, most stores are busy and the V & A Hotel is full.

"It started slowly," said David Jack, head of the V & A Waterfront Company, "but it's very busy now. All the retailers we have been talking to are meeting and beating budgets. There is definitely a lot more confidence."

Keith Green, of the V & A Hotel, said: "We don't have a spare room in the hotel. It looks like being a bumper Christmas."

Vaughan Johnson's Wine Shop, which has a "Vaalies we love you" sign outside, has done better this year than last, but he says clients are "trading down".

"House wines and good-value estate wines are flowing out of here, but the demand for French champagne and upmarket, expensive wines has fallen off."

A good bottle of French champagne costs about R130.

At Cavendish Square business has been busy for the past two weeks. It moved into top gear in the second half of this week.

"We are open every night until 9pm and the store has been full from opening to closing time," said Stuttaford's general manager, Cees van Velze. (30)

"All the stores in Cavendish Square have been doing well. Our only problem is parking — the car parks are jam-packed."

At the Tyger Valley Centre a slow start to the Christmas spending spree had accelerated dramatically by the end of the week.

"It's picked up fast in the past couple of days," said the centre's managing agent, Trevor Blow. "Now all our major retailers are doing excellent business.

"The malls are full, the car parks are overflowing — all the right things are happening."

Woolworths outlets, boosted by the recent launch of a credit card, are also doing well.

"We are ahead of expectations and there is good consumer use of our card," a Woolworths spokesman said. "It's been a late rush — but at least it has happened."

Christmas rush puts retail sales back on track

SI Times [Buss]

(30)

By TERRY BETTY

19/12/93

CHRISTMAS sales are showing real growth for the first time in three years.

A last-minute spree by consumers should push up retail sales for the full season by 10% to 13% in rand terms over the previous year — a real growth of up to 3,5%.

At the beginning of this year retail sales were at their the lowest level since 1987.

Pick 'n Pay marketing director Martin Rosen says spending started on November 23 when many bonuses were paid. He says revenues are 13% up on last year's flat sales.

"The buoyancy calmed down in the second week of December to only 5% growth."

However, the real boom in sales is expected to happen in the pre-Christmas week. "Shopping will begin in earnest now as builders' holidays have started and factories are closing," says Mr Rosen.

Checkers marketing director Brian Weyers says affluent credit-card shoppers bought presents and Christmas goodies at the end of November, whereas the cash buyers start after December 15.

And as Christmas is preceded by a full week this year, many people are leaving the shopping to the last minute.

Econometrix economist Azar Jammine says the rise in retail sales is in line with Central Statistical Service forecasts, but contradicts those of Sacob which predicted a 2,2% fall in real retail sales.

"1990 was the last time a real growth in retail sales was seen — since then sales have fallen, apart from in March this year when people shopped to beat the VAT increase.

"Since August 1993 a gradual pick-up in sales has been evident. However, for the preceding year the rate of decline gradually slowed."

Dr Jammine says the boost has partly come from falling interest rates. "People who bought their homes in the late '80s at a 21% interest rate and are now paying about 15% have more cash in their pockets.

"This, combined with rising share prices may make some people feel wealthier, although this is partly neutralised by rising taxes."

Dr Jammine says increased spending could also be attributed to improved optimism because the economy is showing signs of a turnaround, the gold price is high and the stock exchange in a bull run.

However, he is quick to point out this is not a boom in retail sales, but rather an improvement off a low base.

"We are retracing the decline in sales that has been seen since 1992 — while the trend is positive, the absolute level of business is poor compared to the last decade.

"While a slow upswing is expected to continue into 1994, it is unlikely to continue at such a high rate as it could face a few hiccoughs — for example, after Christmas, people may get cold feet and slow down their spending in the run-up to elections."

Several retailers say that while growth has been across the board, food lines have been the most active.

Mr Rosen says: "Because of restricted income people buy important items first. While they may buy one instead of two CDs, or a cheaper toy, they will always make sure they have the traditional Christmas goodies, such as a Christmas cake and turkey on the table."

However, food is not a homogeneous product, and it is suggested some people are upgrading to more luxury food items as well as giving gifts of food.

Mr Weyers says shoppers are cherry picking and being far more selective this year than before.

Mr Rosen says Pick 'n Pay's growth in turnover is not because of discounts, as its mark-down policy is in line with previous years.

Massmart chief executive Mark Lamberti says that while his group is showing some real growth on last year, some are faring better than others.

"Even the festive season is insufficient to lift the depressed liquor industry, as people just do not have enough money to spend on alchohol."

The toy industry, whose survival depends on the Christmas season, has not done that well this year, and Mr Lamberti says many retailers are marking down toys.

"This indicates the state of mind of the consumer in that they only want to purchase goods with an inherent utility value.

"Of all the companies in the group, Makro is faring the best. It appeals to customers' sense of values and as it has been going for a long time, it has a feel for its market."

Recent acquisition Dion had a lot of stock cleared out, and Mr Lamberti says it never managed to get in as much as it would have liked for Christmas.

No more Mr Nice Guy!

C/Press 19/12/93

Nafcoc emerging to take position in the market place.

30

THE humble beginnings of Nafcoc can be traced way back to the early 1940s when informal black traders in and around Johannesburg began to organise.

Among these was the pioneering Orlando Traders' Association. In 1955 it spearheaded the formation of the Johannesburg Chamber of Commerce which consolidated various existing associations.

During the next 10 years black trader organisations began to spring up around the country. This movement led to the formation of the National African Chamber of Commerce (called Nacoc then) in 1964 at a conference held in Orlando.

Five years later, Nacoc was reorganised into regions under the umbrella of a National Federated Chamber of Commerce – and Nafcoc was born.

In 1969, Nafcoc was established despite a government injunction not to form one united, multi-ethnic chamber of commerce in South Africa. At that time, the apartheid state was at the height of its drive to segment the African population and to isolate each ethnic group in their own so-called "homeland".

At the same time, the government had passed innumerable laws and regulations aimed at constricting if not stifling black enterprise.

The government began to say who could operate a business, what form it could take, where it could be located, what it could be engaged in, and with whom the entrepreneur could associate.

In those early years Nafcoc was formed with three objectives:

- To negotiate with the government for the removal of discriminatory laws and policies;
- To ensure the establishment of independent companies and institutions for the purpose of fostering black economic advancement; and
- To create general public awareness for the need to extend the free enterprise system to the black community.

During the 1970s Nafcoc continued its strong advocacy for increased economic space for black businesses. In 1977 regulations regarding trade, business and professions managed by blacks were amended twice.

The first amendment extended the list of trades, businesses or professions which could be managed by blacks. The second amendment withdrew all limitations on the type of business, trade or profession blacks could engage in.

On February 8 1979, the government approved the development of Central Business Districts in black residential areas.

The 1980s saw Nafcoc continuing to struggle for economic space and opportunities for black entrepreneurs – in the face of persistent government opposition and prohibitions.

But Nafcoc persevered, built up its membership and organisation and initiated several business enterprises and projects – including the construction of the Nafcoc centre in Soshanguve, outside Pretoria.

Since February 2 1990, the political scenario has changed drastically. Nafcoc's focus is now no longer directed at removing legal restrictions and political constraints. It is now focused on seizing the opportunities and challenges of a new era.

Nafcoc's members are concentrating on the merchandising, building, transport, agriculture, service and informal sectors of the economy.

However, its professional, manufacturing and industrial sectors have been expanding steadily. Today, Nafcoc's membership stands at about 152 000 business people throughout SA.

The chamber is affiliated to the International Chamber of Commerce and a member of Nafcoc serves on its council. Nafcoc has observer status in meetings of the Business Council of Southern African Development and Community (SADC) and Federation of Chambers of Commerce and Industry of the Preferential Trade Area (PTA) which covers eastern and southern African states. Nafcoc has also established working relations with black business support organisations in neighbouring countries.

More tasks than funds permit

C/Press 19/12/93 (30)

A CHAMBER of commerce usually designs a programme of action based on the needs of its members.

As black business is still "emerging" in South Africa the needs of black enterprises exceeds their means at this stage. For this reason, Nafcoc will require substantial support from both local and international funders to sustain a proper get-ahead programme.

Current budget needs present Nafcoc with a unique challenge. It will continue to levy annual subscriptions from regular and corporate members, as well as the contributions of new members, but these will not cover expenses.

Nafcoc's annual budget of R1,5-million will be hard pressed to fund a number of projects. These include:

- The administration of the secretariat;
- The dissemination of business information;
- Lobbying of government;
- Travel within South Africa and abroad to represent the interests of the organisation;
- Consultancy fees for legal and other services;
- Public relations; and
- Institutional and human resource development within Nafcoc and its affiliates.

Given the rapid changes facing SA and especially the black business community, Nafcoc has launched a vigorous income-generating programme and fund-raising effort. This is one of the departure points of its ambitious programme to promote black economic empowerment.

In addition, Nafcoc must raise funds for its units and special programmes. They include:

- A development fund for the Management and Leadership Development Centre in Soshanguve;
- Business research and information;
- Business counselling and extension service;
- Business linkages programme;
- Specialised seminars and training; and
- Annual national conference.

In the past, Nafcoc has funded its operations and projects by:

- Levying membership fees and annual subscriptions from regular members;
- Fund raising within the black business community;
- Contributions from Nafcoc members;
- The annual subscriptions paid by members;
- Contributions and subsidies given by corporate members and by other large South African companies; and
- Assistance from international donors for specific projects.

The importance of developing a sustainable source of income for the organisation outside of membership fees, subscriptions and contributions, cannot be overemphasised.

Nafcoc must begin to operate economically not only in the sense of saving on expenditure, but also in terms of charging appropriate and justifiable fees for services rendered to its members and to other entrepreneurs seeking assistance, training and information.

Existing services and functions such as the annual conference and the sale of various goods with the Nafcoc logo have been a moderate source of income for the chamber.

Eventually, other more substantial income needs to be derived from services and materials from the business counselling extension service, the Management and Leadership Development Centre and the Economic Research Unit.

LAMBASTED . . . SBDC chief Ben Vosloo.

Task group to look at needs of small traders

NAFCOC and the SBDC have jointly established a task group to address several problems.

This comes after a Nafcoc resolution to break from the apartheid culture was taken during the organisation's 29th annual conference at Sun City.

Nafcoc president Archie Nkonyeni had then lambasted the SBDC for its "ineffectiveness".

Several subsequent meetings between Nafcoc and the SBDC, headed by Ben Vosloo, resulted in the formulation of the task group which aims to:

- Consult with all interested parties and if necessary hold conferences, workshops and/or seminars to identify the needs of small to medium enterprises (SMEs) which must be met in order to increase the job and wealth creation capacity of that sector;
- Enhance the empowerment of black business to bring about equitable control in the country's economy; and
- Recommend an appropriate strategy for the restructuring and funding of all key players in the development of the SME sector.

The task group, expected to file an interim report by June 30, will comprise 12 members, two from Nafcoc and the SBDC and one each from Fabcos, Sacob and the AHI. The five others will represent organised business interests in SMEs.

House brand for Morkels

BDay 17/12/93

MARCIA KLEIN

FURNITURE group Morkels has produced its own house brand of consumer electrical merchandise to help prevent recession-related stock shortages.

The MCE (Morkels Consumer Electric) range includes washing machines, fridges, deep freezers, floor care equipment, video and audio equipment, and small appliances such as irons, kettles, hot plates and fans.

Morkels is sourcing supplies from SA, Swaziland, Russia, Hong Kong, Taiwan, China and Korea.

Morkels chain MD Dods Brand said the house brands were launched "to ensure continuity of supply that could not always be guaranteed by a shrinking SA manufacturing base hard hit by recession".

30

King task groups' reports due soon

BDay 15/12/93

MATTHEW CURTIN

FIVE task groups constituted by the King committee, investigating corporate governance in SA, will submit summaries of their reports and recommendations to committee chairman Mervyn King at the end of January. 30

King said yesterday the committee intended to have its preliminary report, based on those outlines, ready for comment and consultation by the end of March.

The committee was set up in June under the aegis of the Institute of Directors to prepare "a code of best practice for corporate governance and business ethics" and is largely modelled on the Cadbury committee which undertook an appraisal of corporate governance in the UK in 1992.

King reiterated that his committee's brief was wider than Cadbury's with input from trade unions and the informal sector.

"Our focus is the special circumstances which exist in the SA business sector."

The 15-member committee includes Davis Borkum Hare senior partner Max Borkum, Judge Cecil Margo, former Nafcoc president Sam Motsuenyane, Methold chairman Nthato Motlana and National Housing Forum chairman Eric Molobi.

Premier Group CE Peter Wrighton is heading the working group investigating a code of conduct setting out business ethics guidelines, while Edward Nathan senior partner Michael Katz is chairman of the group looking at the responsibilities of executive and non-executive directors.

KPMG Aiken & Peat senior partner Guy Smith's working group is investigating the

☐ To Page 2

King

BDay 15/12/93

☐ From Page 1

role of audit, remuneration and nomination committees, and the role of internal and external auditors. The group, under Afrox chairman Peter Joubert, is examining links between shareholders, directors, auditors, unions and other stakeholders, with JSE president Roy Andersen investigating how the committee's recommendations can be enforced.

King said the aim was not to have the recommendations enshrined in law but to use "private sector means" to see them implemented. He expected the Life Offices' Association to ensure that its members complied with committee recommendations and the Public Entities Act to insist on the compliance of parastatals.

(30)

A committee spokesman said King was "confident that the committee's recommendations will not be brushed aside". There has been scepticism among some businessmen that the committee was placing too much emphasis on such pressure to ensure companies observed new corporate governance guidelines.

Good sales banish fear of Christmas retail decline

B/DAY 14/12/93

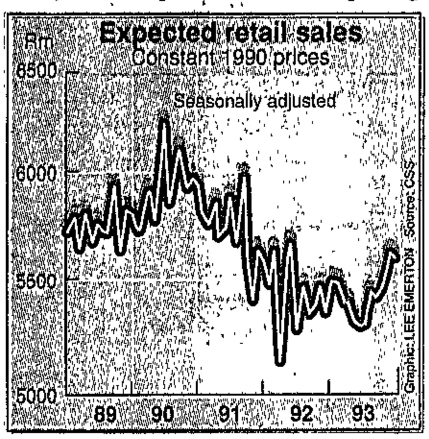
MARCIA KLEIN

RETAILERS are looking forward to a good Christmas period, with sales figures for the first 10 days ahead of budgets, major stores said yesterday.

Most retailers said they were now expecting real growth in sales after Sacob last month reported retailers to be expecting real sales to fall 2,2% over Christmas compared with the previous year.

It appears relatively buoyant sales in November, and a good first week of trade in December, have changed this forecast.

Some industry analysts were not as optimistic. One said a host of price promotions indicated stock was not moving as fast as retailers had hoped. Sales could be picking up as a result, but this could be at the expense of profit margins.



CNA MD Ian Outram said the first six days of December had been promising. Trading since then had been good and some adverts had been withdrawn as stock had been sold out.

(30)

CNA had aimed at customers looking for bargains with its Santa Savers.

Commenting on 1994, Outram said retailing would be tough until the elections, and CNA was "bullish thereafter".

Prefcor CE Hymie Sibul said he was pleased with sales in December. Clothing, through the Bee Gee chain, had been particularly buoyant, and furniture sales had also been good. Game, which came out of a strike in mid-November, had fared better than expected.

A few months ago, Prefcor had not expected much from sales next year but was now fairly confident.

Edgars CE and MD George Beeton said sales had been a little ahead of budget, but there were still another two weeks before Christmas, and one after.

Analysts said all the signs of a good 1994 for retailers existed. There could be another bond rate cut, with money spent on infrastructure and housing. Overseas investment could lead to more employment, and an increase in disposable income.

JOBS

Enterprise works in a hive of productivity

S1 Times [Buss] 12/12/93

By KEVIN DAVIE

PAMELA Nkwenyane was unemployed and had just R300 when she set up shop at the Small Business Development Corporation's City Hive in Johannesburg.

Now, two years later, her mini-company Juice Fountain produces 300 cases of fruit juice a day. A contract to supply one of SA's largest corporates is in the offing.

Juice Fountain is one of 170 businesses employing 500 people in the three-storey hive.

The businesses include detergents, cane furniture, kitchen cupboards, welding, electronic games, television repair, upholsterers, antique repair, a knife-maker, a vegetable wholesaler, retailers, shoemakers, softdrink bottling, a printer and signwriting/making.

There are also shopfitters, lampmakers, a spraying equipment manufacturer, a potter, T-shirt printers, office cleaning services, clothing cut and trim, electronic component repairs and distributor repair businesses.

One firm makes a hot-water urn from a plastic bucket; another polishes and cleans cutlery for SAA. Some supply large corporates such as Anglo and SAB.

A car valet started in two booth spaces in the hive; it now occupies half of the basement area.

One of the many clothing businesses makes corporate uniforms, while several schools train people in skills such as welding, electrical technology and boilermaking.

Daniel Mphahlele, a 28-year-old entrepreneur from Pietersburg, sits with his eight workers, weaving cane baskets. Mr Mphahlele's business is just six months old, but he is "making a lot of money".

Sales are made at roadsides and at flea markets. Employees often also act as salesmen for the products they make, says City Hive manager Johan Lubbe.

A number of businesses were closed during a visit this week. Mr Lubbe explains that some of the entrepreneurs market their products during the day and make their products in the evenings.

The hive is open 24 hours a day, many businesses operating double shifts to improve productivity and meet orders.

One business has not yet received all its equipment but is very busy in one corner making uniforms. "They got an urgent order," explains Mr Lubbe.

Albert Mokonyama, formerly a human resources manager at Pick 'n Pay, took over a failed household detergent business two years ago. Now he has his own brand name, Glittex, and supplies fabric softener to 85 supermarkets from his 50m² premises.

"I can supply double concentrated fabric softener at the same price," says Mr Mokonyana.

He operates on the principle that if something is not ordered it is not made. He simply does not have the space to do otherwise, but he is about to install a fully automated production line and introduce new lines such as bleach, household cleaner, hair products and a dishwasher liquid.

He is competitive on price with name brands and hopes in the coming few years to firmly establish his product.

"I want Glittex to be recognised as something of quality and value for money," says Mr Mokonyana.

The City Hive is one of 47 hives employing 15 000 people which the SBDC operates countrywide to facilitate job creation. Rentals are market related but a full range of support services are offered to the entrepreneur.

Space (mostly between 10m² and 200m²) is tailored to meet client requirements, many increasing from a small space to a considerably larger area.

Rules are kept to the minimum. There are no long leases with penalty clauses for failed businesses. Rather, entrepreneurs hire space with a month's notice with no deposit and no surety.

The SBDC's Terry McLaughlin says the entrepreneurs supply emotional support for one another.

"It can be lonely in business by yourself."

He says many of the entrepreneurs also sub-contract among one other, the separate businesses finding unexpected synergy.

Support services include training in proper costing, assistance with legal requirements and how to draw up a business plan.

One business supplies secretarial, photocopying, bookkeeping, tax and registration services. Another runs the canteen.

Costs such as the 24-hour security are shared by all tenants.

Expensive machinery may be hired by the hour and the SBDC has assisted some clients to purchase the machinery once the business is sufficiently established.

The SBDC hive is intended to show a small profit, to fit in with the institution's aim that its programmes be self-sustaining.

The City Hive, after three years of existence, is nearing break-even. About 85% of the available space has been taken up.

A feature is the mentor assistance programme where successful retired executives, who receive token payments to cover expenses, assist small-scale businesses with advice.

The race of the entrepreneurs varies depending of the location of the hive but averages about 33% whites, 33% blacks and 33% coloureds and Indians.

Mr McLaughlin says it is important that the rentals be market related: "We don't want artificial pockets of support. Operations must be able to work."

Mr Lubbe says tenants make Unemployment Insurance Fund and workmen's compensation contributions. Wages are negotiated between entrepreneurs and their staff, one clothing manufacturer saying he has to pay above union rates to attract good labour.

Asked why he had set up in the hive, one entrepreneur said the industrial council inspectors had so harassed him at earlier premises that he had moved to the hive: "They go out of their way to close you down."

The SBDC staff don't refer to the hive occupants as clients or tenants. They call them "our entrepreneurs".

The hive is vibrant, the growth and development tangible. I was reminded of a recent visit to Taiwan, where deregulation rules, the costs of business entry are low and where people power has been unleashed so that prosperity can follow.

The challenge for South Africa is to take the artificial pockets which the hives now are and transform the entire economy into one large hive.

When Juice Fountain's Pamela Nkwenyane, one of many success stories, started her R300 business two years ago all she had was a small food mixer and a household iron to seal juice bottles.

Why did she go into business?

"I couldn't find work," she says.



BUSY AS BEES: City Hive tenants Albert Mokonyama, Pamela Nkwenyane and Daniel Mphahlele

30

Pictures: JOHN HOGG

☐ **BUSINESS THEATRE:** Kasteel Players, from left, Vicky Kente, Monwabisi Matshaba and Alex Ferns act out the basic principles of taking out small-business loans, while Zuko Vanyaza, bottom, takes advantage of the situation by engaging in some "alternative" redistribution of wealth. The actors have been engaged by the Small Business Development Corporation to stage educational productions. Picture: ANDREW INGRAM, Weekend Argus.

Acting out business principles for township entrepreneurs

(30)

LIBBY PEACOCK
Weekend Argus Reporter

Arg 11/12/93

A COMEDY of errors it will not be, and certainly it won't be tragedy, but Shakespeare may still have approved of using theatre to teach people skills that would make them the heroes of their own life scripts.

The Small Business Development Corporation has approached professional actors to illustrate business principles in their training programmes for budding township entrepreneurs.

Anton Espost, SBDC business adviser, told Weekend Argus this week the corporation often experienced difficulties in its training groups where people had difficulties with language and the classroom set-up.

Trying to find a creative solution for the problem, there were various options, including the making of a video.

"But, a video can be one-sided, as people cannot ask questions. It is also very expensive.

"The other option was to use theatre, which is a good medium, because one doesn't need electricity. No equipment is needed and people can ask questions during or after the piece, which also can be adapted to different audiences.

"The language medium will be mostly Xhosa.

"The target audience is township people who want to start small businesses, but the programme can be extended to business in general.

"We approached the Kasteel Players (a non-profit theatre company). Their first performance to supplement our training programme will be in January."

Mr Espost said the first performance would deal with the mechanics of applying for loans. The concept will be expanded later to include dealings with clients, costing, how to negotiate, the concept of interest, how to open bank accounts and other business principles.

"Our aim is to use theatre with every training topic that is adaptable. An SBDC trainer will always be present to answer questions."

Kasteel Players director Robert McCarthy said: "This is the first industrial programme Kasteel will be doing. We were approached by the SBDC and will do productions to supplement their programmes.

"We feel industrial and educational theatre is going to get very big. Business theatre is a new thing, but it is taking off in a big way.

"Drama can educate — students come out with a solid image in their minds."

bruary

SBDC to be given a new look

Sowetan
10/12/93

By Mzimkulu Malunga

THE first phase to restructure the Small Business Development Corporation and organisations with similar functions was set in motion this week. (30)

A task force comprising 12 members from the country's four major chambers of commerce, the National Economic Forum, the small to medium-sized enterprises and the SBDC's board of directors was formed to conduct research into the matter.

National Federated Chamber of Commerce president Mr Archie Nkonyeni said the restructuring was agreed upon at the organisation's annual meeting in July.

Critics of the SBDC said it gave huge loans to white small business while processing fewer loan applications by emerging black entrepreneurs requiring bigger loans.

ANC to give business to small entrepreneurs

South 10/12 – 14/12/93

(30)

AN ANC government may set aside a percentage of state contracts for disadvantaged businesspeople, says the organisation's economics chief, Mr Trevor Manuel.

Making it clear that he was not talking only of African business, Manuel pointed out coloured people had also been denied access to capital and senior jobs under apartheid.

Speaking last week at the Independent Business Forum, set up by SOUTH, M Brey and Commlife, Manuel said earmarking a percentage of state contracts for a community happened in the USA.

He assured his audience that contracts reserved for the majority in South Africa would not be "baadjies for boeties" (favours for friends) because there would be transparency in contracts and tenders.

The 1994 budget would be "an ANC budget", said Manuel, adding that this would redistribute business opportunities as the "only chance of giving South Africa sustainable growth where everyone feels the economy is ours".

The ANC's head of economic planning launched a strong attack on parastatal investors, saying the Land Bank had never loaned to blacks, while the Development Bank had dealt mainly with the homelands in line with PW Botha's constellation of states ideology.

More than two-thirds of Small Business Development Corporation lending went to whites, and these institutions had to be changed to give access to others, he said.

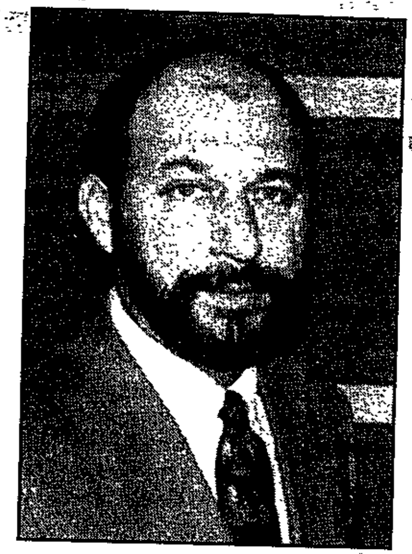
"We should consider using stokvel methods in cases where borrowers don't have surety, so that peer group pressure can help ensure repayment."

Up to the mid-1980s owners of pensions and insurance funds had to invest 60 percent of their stock in government bonds. Nowadays they were investing in "shopping centres and malls — which is a problem because the entire country cannot live in office blocks, and if they don't have jobs they can't shop."

Manuel said the ANC would "travel the globe to talk to people who have money and try to get it and shape its use.

"But once it arrives, it is not the ANC's. We can only set the environment and try to shape funds.

"At the end of the day, entrepreneurs are needed, and they don't come from committees."



TREVOR MANUEL

CLICKS FM 10/12/93

Spending falls short

(30)

For the first time, Clicks is being hampered by what financial director Peter Green calls "not enough spending power." Turnover rose 11,9% in the six months to October, but this was below expectations and, for the first time, the sales budget was not achieved. "We've had more customers through the stores than a year ago, but they are not spending as much as they did," says Green.

The new bugbear, managing when the inflation rate is falling, also caught up with operating profit. It was only 5% higher, partly because expenses were rising more rapidly

FM 10/12/93 (30)

than product prices.

But it was the turnabout in liquidity that really dented profit. A year ago, Clicks held a net cash balance, following its R52m rights issue. All the cash has been invested: R13m is being spent on expanding the Cape Town head office; R20m on the new distribution warehouse; and information technology (there is scanning in 36 branches) is also devouring cash. This resulted in a R3,1m swing from interest received to interest paid; pre-tax income fell 10,1%.

Also, failure to achieve sales budgets had resulted in excessive stocks. Green contends that would not have happened if the information technology had been in place. "That's why we're spending so rapidly on technology and benefits are beginning to show," he adds. He expects stock reduction will soon see improved liquidity and will curb the interest bill. Interest-bearing debt at October 31 totalled R51,7m (1992: R15,8m).

Expansion of the three chains is continuing. Four Clicks, six Diskom and 14 Musica stores were opened in the first half. These will be able to take advantage of the Christmas trade, which Green feels should be "fair."

The group's first six months are always the unexciting half. Christmas and Easter, its two best trading periods, fall in the second six months. For Clicks, in particular, the economy's performance up to the April election will be critical. If the economy is not shaken by political unrest between now and end-April and it's a reasonably good Christmas, full-year EPS will probably grow by up to 12% — though Green is apprehensive about forecasting any result now. Even so, there is no sign of the share's long-term upward trend being threatened. *Gerald Hirshon*

METCASH FM 10/12/93

Premium rating returns

Carlos dos Santos's reappointment to the helm of Metro Cash & Carry (Metcash) in August 1991 aroused some scepticism from those who questioned Premier's investment in the then-ailing wholesaler group and doubted Dos Santos's ability to effect a turnaround. The last laugh would seem to be Premier's. Latest interims exceeded market expectations — EPS jumped 30% to 19,1c — an impressive achievement on turnover growth of only 6,7%.

Violence and boycotts were partly responsible for constraining the growth in sales of continuing operations to R2,8bn (R2,62bn); the biggest factor was lack of growth in consumer spending. But further efficiencies, cost savings, a significant reduction of shrinkage and the thrust into higher margin product lines enabled Metcash adequately to meet its profit budget for the six months ended October.

Operating income increased 22% to R39,9m and pre-tax profit of R50,7m was boosted by the 56% surge in interest received to R10,8m. The group is cash rich, sitting on R292m, which will be used as working capital until it's needed to expand local and/or non-SA interests, says financial director Dudley Rubin. Debt of R22,7m has been eliminated.

To smooth the path to a full tax rate, likely in the 1995 year once tax losses have been absorbed, tax was provided at 35,8% (R18,2m). Income attributable to outside shareholders fell 40% to R1,2m, reflecting the policy of buying out minorities in various operations when the time is right. Rubin concedes Metcash has acquisition plans but would not be drawn.

Over the past year, management has focused on expansion of global operations as a means of maximising sales growth. Metcash has entered into joint ventures and is to open its first Russian store at Magnitogorsk in mid-December; the first Israeli operation is to come on stream at Haifa in April.

Though exports remain a small percentage of turnover and profit, management aims to grow this over the next four years. Nevertheless, Rubin believes good growth potential lies in the domestic market. "Over the next few years development of black businesses is expected to be massive. Small supermarkets are likely to be a large proportion of this and

DOING IT RIGHT

Six months to	Oct 31 '92	Apr 30 '93	Oct 31 '93
Turnover (Rbn)	2,65	2,55	2,80
Operating income (Rm)	32,7	40,5	40,0
Attributable (Rm)	24,1	31,9	31,4
Earnings (c)	14,7	19,3	19,1
Dividends (c)	6,0	8,0	7,5

FM 10/12/93

will expand Metcash's horizons."

As for the short-term, management isn't sticking its neck out: "There is no indication now that the trend in turnover will improve during the second half." That cautious view is not surprising given that Metcash's year-end coincides with the elections. (30)

But the period to end-April is usually the stronger half, including Christmas and Easter; and Rubin contends one of Metcash's strengths is its geographical diversity. This, with recent rationalisation of outlets, should help ensure pre-tax margins — now 1,8% against 1992's 1,5% — move close to the targeted 2,5%.

At 770c, the price has almost quadrupled since late 1991 and has risen from 360c over the past 12 months. The share is steadily regaining the premium rating it carried in the late Seventies and early Eighties.

Marylou Greig

Task group to probe needs of small business

(30) CT 10/12/93

THE Small Business Development Corporation (SBDC) and the National African Federated Chambers of Commerce (Nafcoc) are setting up a joint task group to establish the needs of small to medium business enterprises (SMEs) and how they can best be met — and to hasten the empowerment of black business.

In a statement issued yesterday the two organisations said the task group would consult with all interested parties and if necessary hold conferences, workshops or seminars. It would:

- Review the existing institutional framework and make recommendations on one more suited to achieve a meaningful development of the SME sector.
- Recommend an appropriate strategy for the restructuring and funding of all key players in the development of the SME sector, including the SBDC.

The group will consist of 12 members. Five will represent SME business interests — two from NAFCOC and one each from FABCOS, SACOB and the Afrikaanse Handelsinstituut.

Three will represent the National Economic Forum and four the directors, regional committees and executive management of the SBDC.

The Task Group is expected to file an interim report by June 30, which will be subject to public discussion before the final report is written.

'Invest in small business to create more jobs'

(30) ARG 9/12/93

Business Staff

DURBAN. — South Africa's economic employment-creation priority will be best served by investing in small business before major projects such as Sasol, Mossgas and Columbus Stainless Steel, in the view Republic of China Ambassador to SA I-Cheng Loh.

He told delegates to an ANC business development conference in Durban that Taiwan had created its double-digit economic growth on the back of almost 1m "small and medium" enterprises.

He described how the Taiwanese government had helped turn small and medium enterprise into the dominant force in the national economy.

Firms capitalised at less than R5 million with fewer than 300 employees accounted for 97 percent of companies, employed 62 percent of the workforce and produced 40 percent of GDP.

They also exported 57 percent of Taiwan's foreign-sold goods.

Outlining the measures taken by the RoC (Taiwanese) government to promote the highly successful drive for prosperity in his country by smaller businesses, Mr I-Cheng said while SA had a magnificent research organisation in the CSIR, its work had not been tapped in the best interests of the country.

The Taipei authorities had established the Industrial Technology Research Institute, where "thousands of scientists work in dozens of laboratories conducting research into industrial application of new technology" for transfer to the private sector free of charge.

This was just one of six steps taken by the government and which had helped nurture its dynamic small and medium business sector.

■ Anti-trust laws and effective affirmative action are key ingredients in the ANC's recipe for shifting the focus of financial institutions towards support for small business — particularly black-owned.

Adressing the ANC small business development conference here, the organisation's economics head, Trevor Manuel, said control of all major lending insitutions was held tightly in the hands of a small, powerful group of white-owned corporations.

Anglo American controlled First National and Standard Banks and Liberty Life Assurance. Old Mutual had charge of the Nedcor group and Sanlam held the reins in the sprawling Absa group — which comprised most of the remainder of the sector.

He believed the corporates needed to be changed from within and he felt effective affirmative action — to which the ANC gave its "unashamed support" — would prove to be a major force in achieving.

Nafcoc to pair black and white business

B/Day 9/12/93

THEO RAWANA

THE National African Federated Chamber of Commerce (Nafcoc) had established a joint ventures programme which would seek to pair black businessmen with experienced white business to form viable joint enterprises, the chamber said yesterday.

The initiative was designed to accelerate black participation in the mainstream of the economy, Nafcoc president Archie Nkonyeni told a news conference.

He said the move was in response to more people in SA and abroad seeking to form joint ventures with black South Africans. "These people were motivated on the one hand by what they perceived as a huge and potentially lucrative black consumer market, and on the other by a genuine desire to develop black business skills."

Nafcoc had enlisted the support of KPMG, "the world's largest accounting and business advisory firm", to manage the programme. KPMG would help potential partners assess each other's compatibility and commitment, conduct feasibility studies on proposed ventures and assist in setting up company structures.

The programme was designed to prepare black business for the new government's affirmative action programme, which would not succeed "if the intended beneficiaries lack the skills and resources to take advantage of it". (30)

Nkonyeni said the quickest way to empower black business was to build on existing resources in the country — to set up

☐ To Page 2

Nafcoc

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viable partnerships in which blacks had a meaningful stake and white businesses were not expected to give hand-outs.

Strong local partnerships would also facilitate the involvement of foreign investors, who did not always know the SA market and would require local skills and infrastructure to do business. (30)

One strategy of the programme would be to mobilise resources, "especially in industries where blacks particularly need representation". Nafcoc would identify such industries and approach large players to "divest a significant portion of their interest in favour of black partners". It would also approach a significant player in an industry to start a new company in conjunction with black partners.

● Picture: Page 3

Plan to pair black and white in joint ventures

30 CT 9/12/93

THE National African Federated Chamber of Commerce (Nafcoc) had established a Joint Ventures Programme which would seek to pair black businessmen with experienced white business to form viable joint enterprises, the chamber said yesterday.

The new initiative was designed to accelerate black participation in the mainstream of the economy, Nafcoc president Archie Nkonyeni told a media conference in Johannesburg.

He said the move was in response to more and more people both in SA and abroad seeking to form joint ventures with black South Africans. "These people were motivated on the one hand by what they perceived as a huge and potentially lucrative black consumer market, and on the other by a genuine desire to develop black business skills," he said.

Either way, this presented enormous opportunities for the future development of black business, he added.

Nkonyeni said Nafcoc had enlisted the support of KPMG, "the world's largest accounting and business advisory firm", to manage the programme.

OK failed the customer's quality test

S/Times [Buss] 5/12/93

By ANDY ANDREWS

THE de-listing of the OK after 60 years on the Johannesburg Stock Exchange is both sobering and sad. We know that most companies have a short lifespan — estimated at around 40 years and in that sense the OK has had quite a "good innings".

Nevertheless, it is surprising that companies which appear to have all the resources — money, the ability to attract the best, the systems and all that goes with being the market leader, are often unable to sustain their dominance and end up destroying shareholder value.

I come from a small town and remember being told that if your town had an OK Bazaars then your town was in the big time. How things have changed. I can remember when SA Breweries bought the OK Bazaars for R136-million. Adjusting for inflation, the value of the OK is only 6% of that value today. That is really a good example of destruction of shareholders' wealth.

In retailing, as in all industries, the secret of success is quite simple: Give the customers what they want. In every industry the leaders provide quality for their particular customers.

In the motor car industry, Toyota provides good quality to its chosen customer group, so does Honda. These firms prosper over the long term because they satisfy their "served market". You cannot please everyone. If you try you end up making everyone a "little" unhappy and eventually you make everyone a "lot" unhappy.

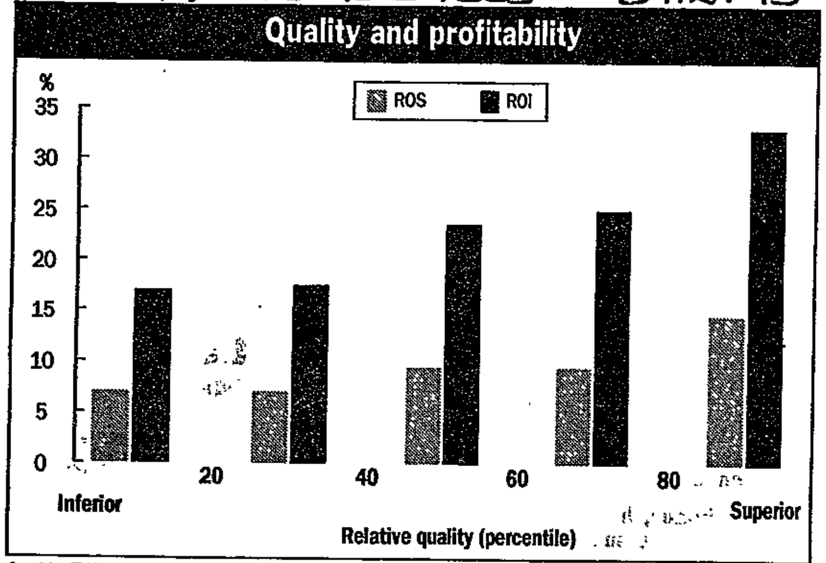
The top companies — from Pick 'n Pay in food to Edgars in up-market clothing, to Pep at the lower end — conjure up images of high quality and services in the minds of the customers who buy their products and services. These companies are also excellent performers in terms of growth and profitability. (80)

All the managers nod approvingly when you ask does quality pay. But despite the unanimity it seems that few managers really believe it. If they did they would do something about it.

Luckily we still have a chance to do something about it. Joseph Juran, the American guru of quality regarded as the father of the Japanese quality revolution, describes how he sold the message 40 years ago:

"What I told the Japanese was what I had been telling audiences in the US for years. The difference was not what I said but whose ears heard it," Juran said.

"No one was more surprised than I when the people who attended my first two-day lectures in Japan turned out to be CEOs — 70 at each session, 140 in all — from the largest manufacturing companies in the country. When I gave such lectures in the United States, the audiences consisted of engineers and quality control managers."



Graphic: FIONA KRISCH

Perhaps our managers like quantitative measures to convince them to act on what they say they know. Systematic research that links quality and performance is available. The PIMS research programme (Profit Impact of Market Strategy), which analyses thousands of businesses proves that quality pays. The accompanying graph shows the relationship between customer perceived quality and profitability as measured by return on investment (ROI) and return on sales (ROS).

Clearly, quality is rewarded since both return on sales and return on investment rise as quality relative to competitor goes up. Companies that are "superior" out-earn their "inferior" competitors by about two to one over the long term.

Of course, you can compete on price but that's not good enough in many markets because eventually the customers will look for better products and unless you are continually improving quality from the customer's point of view you could face market share and profit erosion.

The worst place to be is in between. Many companies confuse their customers by competing on price for a while and then trying to compete on quality.

In the US, Sears, the famous retailer, has faced enormous problems because it has drifted between the low end and the top ends of the retail market. It could not decide whether to be a Bloomingdales or a K-Mart and its confused customers went to those competitors, leaving Sears in difficulty.

Perhaps the OK's troubles will help to focus the top management of our firms on quality. In the old days you could win by providing a wide range because no other competitor could match you on price and range.

But today the specialists are able to beat you — their salespeople have better product knowledge than your people, they have a better range of the particular product and can match or even beat your price.

They simply "out-niche" you and you are stuck in the middle. Pep beats OK in the low end of the clothing market. Edgars wins at the high end, Bradlows and Joshua Doore win in furniture and Pick 'n Pay wins in food. The OK bleeds.

So, give customers what they want. And remember, you must focus in terms of customer and products — if you don't you won't satisfy anyone completely.

Small business must play in the big game

South 3/12 - 7/12/93

(30)

SMALL businesses need to find a foothold in the big business environment to gain access to wider markets if they want to survive.

This was the finding of a discussion document compiled for the Western Cape Economic Development Forum (WCEDF) by auditing firm Deloitte & Touche.

The document will form the basis of a workshop this week at Stellenbosch University on providing sub-contracting links between the small business and the big business sectors.

The forum will "brainstorm" and develop a strategy on the issue, said Mr Ken Briggs of the WCEDF's sub-contracting committee.

The document argued that links between the two sectors were crucial for the growth of the economy.

"A vital success factor in the economic achievements of countries such as South Korea, Taiwan, Hong Kong and Japan has been the establishment of linkages between large- and small-scale industries."

This could provide "large savings" for big business and the economy as a whole.

However, small business development agencies and the corporate sector have expressed "frustration with the slow progress made".

The document outlined some of the factors restricting big business providing sub-contracting to small businesses:

- Excessive red tape, regulations and rigid structures.
- Small entrepreneurs lack access to decision-makers in large corporations.
- Lack of access to purchase raw materials in bulk.
- Lack of working capital preventing small business from achieving competitive volume discounts.

However, the advantages of a greater linkage could mean greater scope for creating jobs.

The report points out research has consistently shown small business is by far the most effective job creator in other economies.

Universities win awards

THE University of the Western Cape's Occupational Therapy Department recently won a R60 000 prize for its community rehabilitation programme in Philippi.

The prizes, sponsored by Metropolitan Life, were for community programmes at tertiary institutions.

Three months ago the UWC project was extended to the Philippi area and its offices are now situated at the Philippi Small Business Development Corporation Hive.

UWC's project aimed to provide a home-based rehabilitation project for disabled people. It was started eight years ago in Mitchells Plain and has since been extended to Nyanga, Guguletu and Crossroads.

The service provided by the project involved training fieldworkers within the community in principles of rehabilitation, community development and primary health.

Fieldworkers are required to assist and train families to manage the handicapped and encourage independence.

Awards also went to the University of South Africa's University of South Africa's training programme for teachers and principals aimed at encouraging parental involvement, and the University of Stellenbosch's project to provide study and learning skills guidance to educationally disadvantaged pupils at secondary school level.

Business (30) votes for Mandela

JOHANNESBURG. — The overwhelming majority of South Africa's top business people would prefer Mr Nelson Mandela as president, while none would choose Chief Mangosuthu Buthelezi, according to research conducted by the Community Agency for Social Enquiry. CT 3/12/93

In a survey of 70 of the largest stock exchange-listed firms, 25 leading unlisted companies and five key parastatals, CASE found 68% of the sample would most like the ANC leader as the country's president when offered a choice among the "big three".

Thirty-two percent of respondents most favoured current President Mr F W de Klerk, while the Inkatha leader was not selected at all.

CASE said their research indicated that the bulk of the white-dominated, largely English-speaking business community was enthusiastic about doing business under a new ANC-led democratic government. — Sapa

Metcash boosts earnings 30%

CT 3/12/93

(30)

... despite harsh trade conditions

Own Correspondent

JOHANNESBURG. — Metro Cash and Carry (Metcash) exceeded market expectations by posting a 30% rise in attributable earnings to R31,4m (R24,1m) in the six months to end-October in the face of harsh trading conditions.

The rise reflects a sustained turnaround since the Premier Group took control of the cash and carry wholesale group in 1991. Yesterday the share edged up 5c to a new high of 750c, to bring its gains to 66% over the past year.

MD Carlos dos Santos said the 7% turnover growth to R2,8bn (R2,6bn) reflected the effects of the recession and the pressure on consumer spending. Despite this lacklustre growth, operating income was lifted 22% to R40m (R32,7m).

Net interest received rose nearly 60% to R10,8m (R6,9m) on the back of significant cash resources and as a result pre-tax income rose by 28% to R50,7m (R39,6m). Dos Santos said the pre-tax margin improved to 1,81% from 1,69% previously, but this was still below the management target of 2,5%.

Earnings were 30% higher at 19,1c (14,7c) a share, and the interim dividend was increased by 25% to 7,5c (6c) a share.

Dos Santos said the balance sheet was strong, with cash reserves of about R292m and no debt. Metcash had some acquisition plans which could be completed with cash to spare.

He believed results were satisfactory given the circumstances. While trading in the first three months had been good, it had slowed afterwards.

The earnings increase was achieved because of continuing tight cash management, financial discipline and good operating efficiencies. There was also a significant reduction in shrinkage.

Exports had started off slowly, mainly because there had been no money in Africa. But demand had picked up more recently following recent World Bank and IMF loans to Africa.

Metcash was opening its first Russian store this month at Magnitogorsk, about 2 000km from Moscow. It had finalised plans to open in Mozambique before the year-end, and was hoping to open in Haifa, Israel, around the year-end.

Commenting on prospects for the next six months, Dos Santos said trading conditions showed no signs of improvement and there was no sign that the trend in turnover would improve.

But Metcash hoped to control shrinkage and maintain its focus on expenses. Dos Santos said he hoped Metcash could live up to market expectations for the full year.

Violence and recession keep Bergers in the red

B/Day . 11/10/93

MARCIA KLEIN

CAPE-based clothing retail chain Bergers Trading Holdings, feeling the full pinch of depressed trading conditions and the effect of violence and stayaways on its business, has remained in the red in the six months to end-June.

The group, which operates 280 Bergers, Hilton Weiner and Jones outlets, reported a loss of 34,1c (earnings of 11,9c) a share. At the December year-end, it reported a loss of 7,7c a share from earnings of 6,2c in the previous year.

Since then, Bergers has consolidated its shares, raised R18m in a rights offer and continued to rationalise its business.

Chairman Howard Mauerberger said trading conditions had continued to deteriorate. 2232

Results, which compare a 26-week period with 27 weeks in the earlier year, show turnover declined 6% to R66,1m. The pre-tax operating loss was R2,9m against income of R1,5m in the previous year. 30

Taking into account taxation and an extraordinary item in the previous year, the company reported a net loss of R2,9m (income of R497 000) for the period.

About 20 loss-making stores were being closed.

He said the company generated most of its income in the second half, and was expecting to trade profitably in the full year.

The effect of the rights offer, which closed on June 30, was not reflected in the results. Funds raised were received on July 8, but if they had been in the business for the full period, the bottom line loss would have been reduced by R1,45m, Mauerberger said.

The company would trade profitably in the second half, he said.

Bergers Group, which has a 94,1% stake in Bergers, reported a loss of 68,3c (earnings of 23,8c) a share for the six-month period.