

FOREIGN FIRMS IN SA. - U.S.A.

1992

**MAJOR** change in the way the Americans view international trade has significant implications for South Africans as we emerge from decades of inward-looking isolation. The bumper sticker slogan that sums up this attitude is "think global, act local".

In the '60s and '70s, global business meant establishing an international presence under the "multinational" banner. Host countries were only too glad to receive the attention of the vice-president of its region.

Based in sumptuous offices in towns and cities typically located in the American midwest, executives relished the opportunity to leave their snowbound homes in winter to visit warm southern hemisphere branches. Those were the days when American business dominated the world economy and it was deemed essential for any company thought by its board as being significant, to compete with its domestic peers in international markets.

**T**he new thinking has been forced upon American business by a series of thunderous waves that have beaten down on the domestic economy and business environment with increasing intensity. The once powerful domestic economy has slowed to such an extent that growth of its GDP is now among the lowest of any major nation in the world. The country faces huge trade and fiscal deficits that inhibit its ability to compete in world markets.

But most significant is the force of foreign competition that not only has diminished the strength of the once mighty American multinational abroad, but which has entered the home market to compete successfully with local industry.

The fact is that, large or small, domestic or international, American companies are faced with global competitors. These are firms that have recognised the existence of a single world market in which to trade and from which to source the best and most reasonably priced material and component supplies. Moreover they have the support of their governments who encourage free trade; do not place limiting

# As isolation ends, SA must prepare to join global market

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trade practices in their way and assist by providing education and security to the work force.

Singapore is a most interesting example. Against the trend of the three two decades ago when centrally planned economies, over-generous state welfare and massive government influence were the order of the day, its government embraced free enterprise. Today, as socialist communities around the world collapse and attempt to reform their ravaged economies with the principles they once despised, Singapore reaps the benefits.

In a recent speech to an international conference, the deputy prime minister of Singapore, B G Lee Hsien Loong, summed up his government policy at the time in these words: "We promoted foreign investment by multinational companies because they brought jobs and exports. Instead of going against market signals, we freed up markets and relied on them to allocate resources efficiently, to where they were most urgently needed. We raised wages, not by legislating minimum wage levels but by giving the workforce useful skills and relying on market demand to push up their wages. As a reward for our heresy, our economy grew and our practices became the new conventional wisdom." By opening its economy and by

viewing the world as a single market, Singapore — which is a fraction the size of SA, has become a major global player (for example, it is the world's largest exporter of computer disk drives) and has produced stability and wealth for all its people.

It remains to be seen if a future SA government will adopt this enlightened point of view. The hope is that we are not destined to be exposed to some painful lessons without benefiting from the experience of others. American businesses, however, are re-evaluating their own strategies and are prepared to learn from successful nations in the global market context.

**T**hey talk today not of the geographic concept of business but of applying the business concept globally. Thus, they will headquarter their firm where it makes the most business sense; purchase the materials they require to manufacture where they are most reliably and economically available; and produce where they can find the least expensive energy, raw materials and labour which is cost effective and productive.

The epithet "not invented here" is being discarded. It used to imply mistrust of anyone not a native of the

US. Information was closely guarded and others were disallowed from participating in the production process. The new approach says that everyone who needs to know must be told, no matter where or who.

If a business wishes to trade in a country, it must enter that country seriously and identify with its market. The aim is to become an insider in each market rather than an outsider looking in.

Global competition is driven to a large extent by a flow of new and improved products. Markets demand constantly improving quality and cost reductions. This means research and development. The resources required to compete in this technologically advanced area are dauntingly large enough for the massive American market to carry.

Global marketing expands the consumer base, introducing economies of scale that make major investment in R & D more palatable. For many US companies this is not even an option. To survive they must compete and only by tapping the quantum of the world market are they in a position to do so.

Value added networks (VAN) and electronic data interchange (EDI) are just two of the computer-based technologies that allow global companies to communicate in real time with their staff, suppliers and clients, wherever they may be based. They

can provide instant access to databases and through them information and documentation can be exchanged instantly and accurately. The ability to participate in these networks is not only the key to global knowledge, but is rapidly becoming a prerequisite to global partnership.

Writing in the US Journal of Commerce recently, journalist Paula Green states that "many US firms are looking, albeit cautiously, at the nation's investment opportunities as they assess the SA government's moves to a post-apartheid world". The question is: are SA businessmen ready to receive the approaches from American and other global players?

In an ideal SA, government would take a leaf from the countries that have succeeded in growing their economies and improving the lives of their people. If would free the economy from controls and interference; provide massive education and training to prepare the community to play its part in the industrialisation of the country, and reduce personal and corporate tax rates to encourage the entrepreneur.

Business would capitalise on the attention being paid to our country as we regain respectability but would recognise the entry requirements to becoming a global player.

**I**t would use to the full the few competitive advantages we have, identified by Sacob as electricity and mining and to a lesser extent labour and agriculture; look to beneficiation of our abundant raw materials for new and more profitable market opportunities; install advanced computer networking systems to allow firms to communicate directly with global partners, suppliers and customers; and seek out the global companies and become local and international partners with them, contributing to their worldwide operations and representing them here at home.

A new wave is breaking over the global business community. This time South Africans can be a part of it.

□ Morris is deputy CE of KPMG Aiken & Peat, and is a member of the KPMG international strategic planning committee.

# Otis to buy Melcorp interests

Business Day Reporter

OTIS Elevators' US parent, United Technologies, appears set to dilute its SA interests further by selling a 75% interest in Melcorp, the local agent for Mitsubishi lifts, to Otis.

In October last year, Otis itself bought 24,97% of Melcorp from Melcorp MD Rufaine Hindley for R5,1m. At the same time, a UK subsidiary of United Technologies bought the remaining 75,03% of Melcorp from a Virgin Islands holding company, Lift Technology, for just more than R15m.

The UK firm now proposes to sell its Melcorp stake to Otis for a maximum of

\$5,2m, equivalent to R16,3m at the present financial rand exchange rate. The exact amount will be determined by Melcorp's trading performance until May this year.

Otis intends to finance its purchase with the help of a R7m rights issue.

The company has not said whether its US parent would follow its rights issue.

Otis has yet to say how it will finance the remaining R9,3m of the purchase price.

However, at the end of its last financial year Otis's net current assets were R2,8m.

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## Otis

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its interest in Melcorp was valued at R5,7m and the company had long-term borrowings of only R58 000. Shareholders' funds of R18,1m represented virtually all of the company's total R18,2m long-term capital employed.

At present, United Technologies owns 51% of Otis, held through Otis Elevator of

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the US, and for most of the past 10 years Otis's US parent has treated the SA company as a cash cow.

With one or two exceptions, annual dividend declarations have been at levels which fully absorbed earnings, leaving little in the way of retentions for reinvestment in the local firm.

## Industry still in the dark about Apple distributorship

MARKET expectations of an early 1992 return of Apple computers to SA have been dampened by news that the US corporation may announce its plans only in April. *31/3 16/1/92*

The industry is still in the dark about which company will get the distributorship, but lobbying is strong. *(62) (94)*

Siltek, which formerly held the agency through Base2, is believed to be a strong contender. Executive director Marius Furst says: "Once the political decision has been taken, companies like Apple would most

likely give the distributorship to a company which can grow their business in SA fastest and in the best possible way. Siltek could do this."

He says Siltek has heard nothing official from Apple.

With Apple's technology tie-ups with IBM, some sources reckon ISM could be a contender. However, most believe Apple will probably maintain a separate marketing channel from IBM's.

In the meantime, Pan Africa Computer Services' GM Mukesh Chauhan in Botswana says he expects Apple to

announce its plans by April.

His company is setting up a distribution operation in SA pending a decision by Apple. "We're positioning ourselves for efficiency in distributing Apple's products through having a Johannesburg office. Products are currently sold through Pan Africa to countries including Botswana, Zambia, Zimbabwe, Malawi, Mauritius and Mozambique.

"Obviously, the move to open a Johannesburg office means we would have infrastructure in place if we were chosen to take over distribution for southern Africa, including SA."

# Weinberger urges US reinvestment

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## FREDERICK CLEARY

Weekend Argus Correspondent

JOHANNESBURG. — Former United States Defence Secretary Mr Caspar Weinberger went home to Washington last night highly impressed by political change taking place in South Africa and firmly believing America and other countries should reinvest here.

"This country is a good place for investment and it's getting better all the time," he said.

"United States businessmen should reinvest here, although I am not so sure the South African businessmen who bought US companies at bargain prices when they pulled out some years ago will be all that interested in re-selling."

Mr Weinberger is now publisher of the influential Forbes business magazine (circulation 750 000) and for many years was a powerful figure in Washington as a lawyer, businessman and as President Nixon's budget director and secretary for health before taking on responsibility for defence in 1981

## SA is 'getting better all the time' says top man of Nixon era

for his close friend President Ronald Reagan.

Mr Weinberger, 74, was in South Africa for three days meeting leading businessmen and the Minister for Foreign Affairs, Mr Pik Botha.

In May, Forbes will be publishing a special feature on South Africa, embracing economic and political surveys.

Mr Weinberger said he had been most impressed by what he had seen and heard. He could see no financial risk in overseas companies looking in this country's direction.

Politically, there was increasing stability and there was increasing recognition abroad that South Africa was "going the right way to remove factors that had caused political instability".

Changes had been made and reforms put into effect which needed a lot of encouragement

— especially as the "wrenching changes" that were required had been implemented so quickly.

"This does not mean in any way that I supported or endorsed previous policies," he said.

"One has to recognise the fact that when a party (National Party) has been in power for such a long time, and when it changes so drastically and does it very quickly, and shows every goodwill to continue that change, I think that needs encouragement, not only by the United States capital, but also from other countries."

He agreed South Africa could be the gateway for development in Africa, particularly as it had such an advanced economy. Its strength was demonstrated during the sanctions era when it managed to increase its exports.

"All these factors could give South Africa the leadership role which, as far as I can gather, it is anxious to shoulder."

Speaking on the first anniversary of the Gulf War, Mr Weinberger said he believed President Bush was wrong to end hostilities when he did.

As defence secretary, Mr Weinberger was largely responsible for building America's awesome weaponry which so amply demonstrated its capabilities in the liberation of Kuwait.

He said: "If I had had any influence I would have continued for three more days, which would have been time enough to get troops and equipment into Baghdad, despose Saddam Hussein and chase him into the hills somewhere."

"We then could have replaced him with an Arab army of occupation ... Saudi, Egyptian and Kuwaiti troops. That was the only way one could have got a complete finish to that action."

"There were probably very good reasons why we did not do just that, but I do not know what they were."

SEVERAL years ago, when it still seemed plausible that Congress might order all remaining US companies out of SA, lawyers for Mobil Corp issued what at the time seemed a quite remarkable warning: if forced to disinvest by law, the company might sue for compensation under the so-called "takings clause" of the bill of rights.

The US constitution's Fifth Amendment, one of the 10 that make up the bill of rights, states "no person shall be ... deprived of property without due process of law, nor shall private property be taken for public use without just compensation".

Mobil's lawyers argued that if the US government made the company's presence in SA illegal, the value of its assets there would promptly collapse. The difference between their value prior to enactment of a disinvestment law and what Mobil could get for them afterwards would represent property that effectively had been "taken" by the government in pursuit of the "public purpose" of protesting against apartheid.

The company agreed that under the doctrine of eminent domain such a "taking" was perfectly legitimate — just as it is legal for the state to appropriate a man's farm to build a highway. But like the farmer, Mobil had an inalienable right to be compensated for what it had lost.

In the event, the threat was largely play-acting. The lawyers never seriously believed their case would stand up in court. Nor did the Senate foreign relations committee, before whom the warning was issued. Mobil was merely trying to dramatise the hit it would take if Congress made it leave. Shortly thereafter it decided to take the hit anyway, voluntarily. Now, of course, the whole issue is moot.

Ironically, had the threat been issued today, it would probably have

# Property owners fight back against state expropriation

Simon Barber in Washington

generated far more discussion. What constitutes property and the "taking" thereof has suddenly become a matter of intense debate.

In part this is thanks to a Chicago University law professor, Richard Epstein, whose recent study, *Takings: Private Property and the Power of Eminent Domain*, has encouraged the legal profession to hone in on the economic burdens imposed by government regulation. Another reason is that property owners have woken up to the fact that conservative judges appointed by presidents Ronald Reagan and George Bush may now be willing to construe "taking" more broadly than ever before in modern memory.

By a happy coincidence, the debate comes at a time when property rights are the focus of heightened interest worldwide as dozens of nations, from SA to Croatia, seek to redefine the relationship between state and citizen. Some South Africans will undoubtedly find inspiration in trends here. Others, to judge from section 11 of the ANC's draft bill of rights, most assuredly will not. A slew of cases is currently before the American courts in which the

plaintiffs contend they are owed compensation on the grounds that government regulations, particularly those designed to protect the environment, have diminished the value of their assets.

The supreme court has already shown some sympathy for such suits. Last year, it let stand rulings by two lower courts that the government must pay Whitney Benefits, a Wyoming coal company, \$150m for losses incurred as a result of the interior department having declared certain tracts owned by the company off-limits for mining.

This is seen as an omen for how the high court will decide in what is regarded as one of the key cases before it in the current term. A South Carolina man is seeking the right to demand compensation for two oceanfront lots he purchased for \$1m but which he was subsequently barred from developing because state authorities deemed the area environmentally sensitive.

Meanwhile, the justice department has appealed against two decisions by the US claims court, until recently a judicial backwater that has become a major forum for "takings" cases. Fifty-two were filed with the court last year, bringing to nearly 200 its judges, most of them Reagan appointees, now have before them.

In one case, the court's chief judge, Loren Smith, awarded a New Jersey development company \$2.7m in compensation for 4.8ha of protected marshland which the US Army Corps of Engineers had stopped the firm from building on in 1982. Smith found the government had "taken" the property, which the company had purchased for about \$15 000 in 1956. In the second case, a Florida quarrying concern was awarded more than \$1m for 39.2ha which the corps of engineers said it could not mine, citing pollution concerns.

The justice department, concerned that such decisions may trigger an avalanche of costly claims, contends the corps of engineers was acting entirely within the law in both instances and was serving a valid "public purpose". Furthermore, its

actions did not substantially lower the value of the land in question, but merely limited the use to which the owners wished to put their property. The recent judgments and the additional litigation they are attracting are more than a matter of conservative judicial activism alerting property owners to previously unthought of opportunities. They are accompanied by a bipartisan political groundswell against what is increasingly seen as intrusive government regulation whose costs, in a recessionary period, outweigh the benefits.

Environmental regulations are the principal targets. Both business and labour are frustrated at having to abandon profitable, job-creating enterprises for the sake of preserving a supposedly rare brand of squirrel or a piece of swamp some activist has deemed essential to the survival of the ecosystem.

Congressman Jimmy Hayes, a Louisiana Democrat who has authored legislation that would require owners to be compensated for all but the most ecologically precious land they are prevented from exploiting, explains: "What's driving this is the utter contempt people now have for the arrogance of government and the environmental groups when it comes to taking land."

However, this is not simply a matter of economy versus ecology. There are moves afoot to have all new regulations reviewed in terms of their effects on property rights and the compensatory costs they might entail. Legislation that would give the attorney-general review and veto power has passed the Senate and is pending in the House.

It will be interesting to see how far the definitions of property and "taking" are pushed. As critics of the trend point out, slaveholders used the Fifth Amendment to argue that they were constitutionally exempt from having to free their slaves. The question had to be settled in the country's bloodiest war.

**S**OMEWHERE in the outer reaches of the Himalayas, a small and specially trained band of Nepalese sherpas has found a new vocation. Coca-Cola, the biggest soft-drinks company in the world, has hired the sherpas to lug cases by backpack up to the lodges where mountain travellers rest.

Meanwhile in Moscow, Coca-Cola has teamed up with Gavril Popov, the city's free market orientated mayor, to announce the formation of what is claimed to be the first fully private joint stock company in Russia since the formation of the Commonwealth of Independent States.

The Moscow venture, a privately owned business that will manufacture syrup and establish up to 2,000 retail outlets in the city, is part of Coke's assault on the Eastern Europe market, a stronghold of arch-rival Pepsi-Cola.

In India, Coca-Cola is planning a joint venture that would bring it back to the populous subcontinent for the first time since it left in 1977, after a dispute with the government.

**E**ach example demonstrates Coke's drive to strengthen its international sales volume. It recognises that distribution plays as great a part in a successful marketing strategy as the traditional concepts of advertising, promotion and other marketing techniques.

It is all part of a master plan described by Coca-Cola chairman Roberto Goizueta in Olympian terms: "By the year 2000, we will have Coca-Cola available within an arm's reach of desire of the 6-billion people who will be housed on this planet."

Coke president Donald Keough says the corporate goal is to double total non-US sales volume by the end of the '90s, meaning the company will have to do better than keep pace with the market.

Surprisingly, Jesse Meyers, editor of Beverage Digest, the industry's bible, thinks that this is not a wild objective: "At this point I don't think even Coca-Cola knows how big it could become."

Coke is already the world market leader in soft-drinks, with a commanding 46% share that compares with Pepsi's 15%. In the competitive and more mature US market, Coke has 41%, and Pepsi has 33%. Outside the US, Coke claims it sells four

# Coke marketing: from Hollywood to the Himalayas

ALAN FRIEDMAN

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in the street. In Brazil, the key was to make larger bottles in order to take advantage of that market's changing consumer habit.

The biggest marketing coup, in Eastern Europe has been in what used to be East Germany, where Coke was not available under the communist regime. The day the Berlin Wall came down in November 1989, executives in Atlanta ordered Berlin employees to hand out free cans of Coke to East Germans, as they walked into West Berlin.

By February 1990, without any distribution network in place, Coke began trucking cases into eastern Germany from its French bottling plant in Dunkirk. During the year, about 21-million cases were sold to wholesalers and retailers by an army of employees from the West.

At the end of 1990, Coke decided to spend \$450m in eastern Germany buying and refurbishing the land, buildings and equipment of state-owned bottling plants. The result is that in 1991, Coke says it sold 89-million cases in the old East Germany and is aiming for sales of 139-million cases in 1992.

The market represented by the EC is one of Coca-Cola's most profitable, accounting for about a third of Coke's non-US soft-drinks operating income, estimated at \$2.1bn in 1991. But not all EC markets have been easy. France, in particular, has thrown up problems, ranging from past difficulties with Coca-Cola's local bottler to a certain cultural resistance to the product.

**T**his year Coke is undertaking a traditional marketing campaign that aims to reach about 42-million consumers by a series of sponsorships, contests and other gimmicks tied to the winter Olympics in Albertville and summer games in Barcelona, the opening of Euro-Disney park near Paris, the Seville Expo, Wimbledon tennis, Tour de France and the European Cup in Sweden.

Back in the US, one of Coke's most talked about marketing moves was the agreement last year to hire Michael Ovitiz, the Hollywood power broker who chairs Creative Artists Agency, as a consultant. The big idea is that Ovitiz will forecast entertainment trends worldwide that will enable Coke to link its products to hits.

The Coke marketing strategy, therefore, is supposed to range from Hollywood to the Himalayas. — Financial Times.

ceptibility comes through sponsorships, political contacts, or other means, to infiltrate Coca-Cola into the local culture.

Depending on the country, Coca-Cola will approach marketing differently. In China, where Coke has 13 joint venture plants and is prepared to wait many years before it gets any money out, marketing means buying delivery trucks rather than spending on advertising. In Japan, Coke last year spent \$500m on 130,000 vending machines, as half the drinks there are sold that way.

In much of Latin America, the key to marketing is for Coke to supply ice coolers for the rural markets. In the Dominican Republic and Haiti, Coke bought 10,000 push-carts and trained local people to sell soft-drinks

ting plants and other infrastructure. Nowhere is distribution more important than in Eastern Europe where, thanks to a Nixon-era deal, Pepsi-Cola outsells Coke. Neville Isdell, the man who negotiated the new Moscow venture, says the best marketing of Coke in newly emerging East bloc democracies "is to get a bottle on the shelf". This is in keeping with Coke's fundamental marketing strategy, known in Atlanta as "the three A's", or availability, affordability and acceptability.

The company's goal is to drive up volume by selling concentrate or syrup to local bottlers, be they independent or joint venture partners. Local distribution deals are designed to make the product available. It is priced to make it affordable as a proportion of disposable income. Ac-

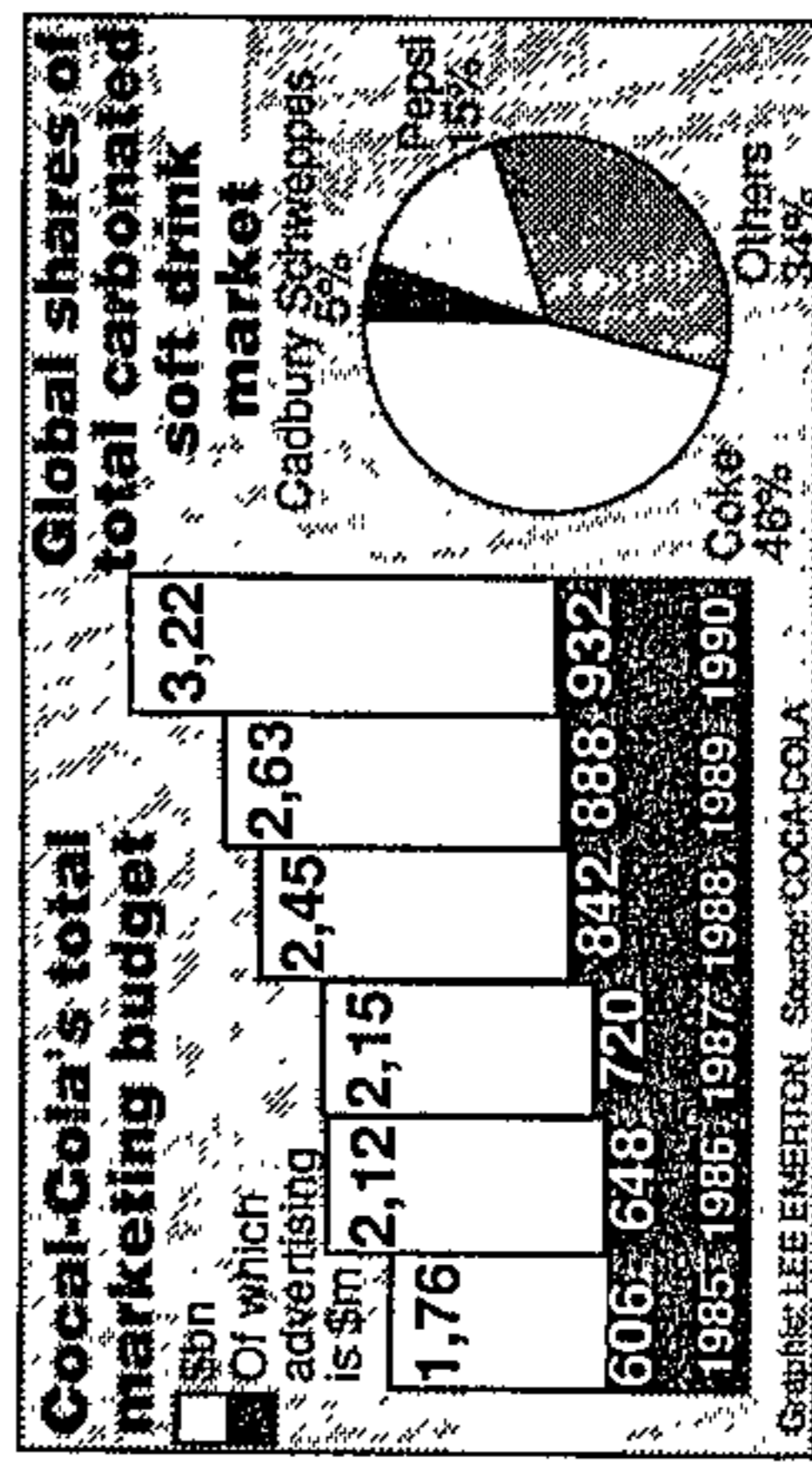
times as many cases as Pepsi, while Pepsi insists the ratio is three-to-one. For much of the '80s, the marketing focus of Coke and Pepsi was on the famous cola wars, on Coke's rapidly aborted change to its formula in 1985 and on the high growth US beverage market.

Coke wars continue in the US, with Pepsi now aiming for the younger market segment, but profit margins are higher in the EC and much of the Pacific. Allan Kaplan of Merrill Lynch says non-US markets offer the best sales growth potential, which is not surprising since Coke's US volume grew by just 2-3% last year.

In 1985 about half of Coke's operating profits came from outside the US. Last year, non-US soft-drinks accounted for about 79% of Coca-Cola's operating income and two thirds of volume.

Coke spent \$3.2bn on selling and advertising expenses worldwide in 1990. Of this, only \$932m was spent on traditional advertising in the media.

Coca-Cola declines to break down its marketing expenditure outside the US. Pepsi spent \$500m last year outside the US. But all of Coke's top executives in Atlanta — each sipping incessantly from ice-cold cans of their product — agree that while their brand name may be among the best known in the world, the real challenge is to create the bottling, manufacturing and distribution infrastructures in each market. In 1992 Coke will boost capital spending by 30%, to about \$1.3bn, much of which will pay for the development of bot-



# All systems 'go' for US investment

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ARCT 6/2/92

CONSTITUTIONAL negotiations at Codesa should proceed speedily to demonstrate the political stability needed for new United States investments and bank loans to South Africa, says Mr Herman Cohen, US Assistant Secretary of State for African Affairs.

Speaking from Washington yesterday during a Worldnet satellite link-up, he said that with the lifting of US sanctions in July last year, "nothing now prevents new investments or bank loans to

South Africa — provided there is stability".

Mr Cohen said the US government believed Codesa was "a good exercise" which could lead to a new constitution in a democratic South Africa. It was therefore advising both the Conservative Party and the Pan Africanist Congress to join the talks.

"We are also putting pressure on organisations which are promoting violence because we believe that violence can only lead

to destabilisation," he said.

Referring to the Gramm Amendment, which requires the US Congress to approve South African loan applications to the International Monetary Fund, he said: "I see no reason why South Africa cannot pass the test.

"I feel South Africa should proceed normally with its economic development and growth and not worry too much about the Gramm Amendment." — Sapa.



Mr Herman Cohen



# Sullivan's legacy still helping to build bridges

STAR 7/2/92



Now that democratic reform is under way, one might assume the Sullivan Code, which forced American companies in South Africa to dismantle racial discrimination, could be filed away and marked "mission accomplished". Instead, the signatories are still determined to act as pathfinders in building new bridges between business and black society, reports MICHAEL CHESTER.

**D**ELVING back two decades to the moment when the Rev Leon Sullivan turned his wrath on the apartheid system at work inside the business world in South Africa is like spinning downwards in a time capsule into the Dark Ages.

We're in the early 1970s. "Whites only" or "Slegs blankes" signs seem to be everywhere — in canteens, on office doors, on benches.

The black/white wage gap is a chasm. The search for black managers is like looking for needles in a haystack.

Across the Atlantic, Mr Sullivan, the lone black member of the board of directors at General Motors, among the biggest multinationals in the United States, hammers a fist on the table and demands the withdrawal of the giant corporation from its South African operations in furious protest.

The demand is tossed out when it comes to a corporate vote. But the massive publicity given the controversy started to prick the conscience of hundreds of corporate boardrooms around the world.

It began a tidal wave of overseas protest about apartheid that reached a crescendo in the 1980s. General Motors, at the crunch, was one of scores of US companies that closed down their South African subsidiaries in a series of disinvestments that rocked the SA economy.

Equally important, the civil rights clergyman managed to lay down the ground rules of standards that all US-controlled businesses in SA should follow in breaking down racial barriers. The rules hit the headlines as the "Sullivan Code".

It started as a package of voluntary guidelines. But by the mid-1980s, with the global anti-apartheid campaign reaching a peak, the US Congress stepped in to make it mandatory for American firms in SA to scrap all racial discrimination — with severe penalties for laggards.

US companies tied to subsidiaries or affiliates with operations in SA were given the option voluntarily sign allegiance to the principles laid down in the Sullivan Code — or else be obliged, by law, to submit an account on nonracial employment practices every 12 months to the State Department.

Since President F W de Klerk in 1990 announced the burial of apartheid and the start of political reform, the Sullivan Code has slipped out of the headlines.

However, it has not slipped out of the sight of anti-apartheid-watchers in Washington.

US subsidiaries in South Africa must still abide by the code, whose introduction is now regarded as a landmark as a set of classic guidelines in the pursuit of nonracial fair play in corporate employee policies.

Forceful reminders of the deep imprint made by the Sullivan Code have been provided by a new 1992 audit of results.

It was carried out by the giant international management consultants Arthur D Little Inc, based in Massachusetts and engaged in on-the-spot checks on progress by US companies with operations in South Africa ever since the code was launched 15 years ago.

Reid Weedon, senior vice-president of the firm, arrived in Washington yesterday from Johannesburg with an audit that glowed with successes that he believes should be regarded as beacons to the pathfinders of a new deal in nonracialism in the business world.

There had not been as many companies to audit as there used to be. In the mid-1980s, at the peak of direct US investment, there were as many as 400 companies in SA with close American connections.

## Equal pay

Today, diminished by disinvestments under political as well as economic pressures, the total has shrunk to fewer than 75 and the number of Sullivan Code signatories from more than 150 to only 52.

What impresses Mr Weedon is that the impact of the code on corporate conduct in racial affairs has proved out of all proportion to the actual number of standard-bearers.

By now, every US business operation in SA has met the basic demands of the first three principles of the code:

- Non-segregation of races in all work facilities, down to canteens and locker rooms.
- Equal and fair employment practices for all employees.
- Equal pay for all employees doing comparable jobs in equal time spans.

Even that basic set of principles, Mr Weedon believes, has yet to be matched by most South African companies here on home ground — not least a rule that insists that all basic pay-levels, even in the rural areas, must not only equal the minimum living level set by the University of South Africa for a family of five, or else the household subsistence level set by the University of Port Elizabeth for a family of six, but start at least 30 percent higher.

"All the signatories passed

that simple standard long ago," says Mr Weedon. "They've now moved on to far higher targets."

In voluntary schemes that go well beyond the brief of the Sullivan Code, the American corporate pathfinders have between them ploughed no less than R586 million into social projects beyond the call of duty.

Moreover, evaluations carried out by the Richard D Little audits count not only the rands and cents expended on socio-economic upliftment, but also the quality of effort as measured by personal involvement.

For example, in education programmes, which have cost more than R200 million, the US companies have so far "adopted" as many as 424 black schools with more than 300 000 pupils, building new classrooms, renovating older schools and laying on courses to upgrade the qualifications of teachers.

And all the signatories submit annual reports with detailed breakdowns on the precise number of black employees moving up the ladder to supervisory, professional and management posts.

Community development is also high on the agenda: assistance and advice on home-buying, a helping hand for black entrepreneurial initiatives, and family planning courses.

Nor do the signatory companies hold community problems at arm's length like so many do-gooders who bask in the headlines. They encourage hard American football-style tackles. Thus scores of white managers have been assigned to spend time in black townships, perhaps spending whole weekends with black employee families, to feel realities at first hand.

Surely, the code can be filed away as "mission accomplished" now that SA has announced apartheid's burial?

Not so, says Mr Weedon. "In many respects," he insists, "the need for such programmes is more urgent today than ever before to meet the growing expectations and opportunities of the majority of the population. If collective pressure is halted, social tensions will increase and hurt the efforts of all parties working towards a unified, non-racial democracy."

Did the Sullivan Code ever inspire any South African companies themselves to become signatories? "Several have launched social responsibilities of their own," says Mr Weedon.

"But when it came to the crunch, none of them could be persuaded to volunteer to meet the full set of rigid requirements." □



Reid Weedon . . . need for social responsibility programmes more urgent today

## Cyanamid gets dubious honour

W/Man 7/2-13/2/92

AMERICAN Cyanamid was last week admitted to the "Corporate Hall of Shame" in New Jersey, the multinational's headquarters. The "honour" was bestowed on the company "for its anti-union practices in South Africa, as well as for its poor labour and environmental record at home", says the New Jersey Anti-Apartheid Mobilisation Coalition.

Cyanamid made South African headlines in 1990 when the Chemical Workers' Industrial Union revealed that it was the only American company shipping toxic waste to South Africa. (b2)

# Top US businesses <sup>(b2)</sup> <sub>CT 24/2/92</sub> 'set to invest in SA'

From DARIUS SANAI

JOHANNESBURG. — Executives from top US firms are streaming to SA to investigate investment opportunities, says a leading industry analyst.

The analyst, who asked not to be named, said at the weekend that the list of names of the US firms sending high-ranked executives to SA read "like something out of the Fortune 500".

He said the firms were not just looking around, as some trade delegations have done during the past year — they were preparing to invest in SA as soon as an interim government, signalling greater political stability, was installed.

The analyst said the referendum called by F W de Klerk could have a beneficial effect on investment. "It will clear the air, as these people want to be confident De Klerk has a mandate for change", he said.

But he said a referendum victory by the CP would have disastrous effects on investment.

"If SA loses this window of opportunity (for investors), it may be a permanent turn-off for them."

He said the political uncertainty that would accompany the pre-referendum period would have little effect on prospective investors: "They won't stop coming here, but the referendum does throw one more uncertainty into an equation which already contains general uncertainty about the future, violence, a depressed economy and concern about labour unrest."

But a referendum win for De Klerk would have a positive and stabilising effect in the long run, he said.

Meanwhile, a spokesman for Sacob said the trade delegation from mainland China, which went home on Friday after a 10-day visit, was "very positive" about the future of trade between the two countries.

The spokesman said the delegation showed great interest in the SA mining industry. Export of SA mining technology to China was a strong possibility.

# Top US companies streaming to look at SA

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DARIUS SANAI

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A senior European diplomat said at the weekend

(62)  
that the uncertainty about the future during the run-up to the referendum would have little effect on potential investors.

"The major parties have not yet declared their economic lines, so investment is all quiet for the moment in any case," he said. Most European potential investors were adopting a "wait and see" attitude.

Meanwhile, a spokesman for Sacob said the trade delegation from mainland China, which went home on Friday after a 10-day visit, was "very positive" about the future of trade between the two countries.

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# US policy and law preventing its firms from investing here

ACCORDING to the IMF's recent staff paper, *Economic Policies for a New South Africa*, "future improvements in income distribution between races will need to derive from better training and better employment opportunities for non-whites rather than a further compression of the wedge between wages for different racial groups".

If that is true — and the paper's authors build a persuasive case that it is — US law and policy is hindering American companies from doing their part (a necessarily small one, to be sure) in putting the recommendation into practice.

Despite the removal, either *de jure* or *de facto*, of almost all federal sanctions, and despite the official encouragement the Bush administration is giving US investors to re-engage in South Africa, a key surviving aspect of the 1986 Comprehensive Anti-Apartheid Act continues to militate against new direct investment by American firms.

It is also helping skew the expenditures of firms that have remained away from expanding either training programmes or employment opportunities.

The Act still obliges US companies operating in South Africa to abide by a set of fair employment standards more onerous than any imposed by their governments on the firms of other countries.

Nor, for the foreseeable future, is there any prospect that this requirement will be lifted, since the law itself contains no repeal mechanism.

## Motherhood quality

Furthermore, there seems to be scant interest in tampering with it, either on the part of policy-makers or among the companies themselves. This is not especially surprising.

The existence of mandated standards has hitherto provided managements some protection against activists who persist in believing that American business should pull out of South Africa altogether.

Even though the disinvestment campaign is now to all intents dead, firms remain gun-shy about changing the system. After all, they reason, what protected them against the sanctioners may also afford them some cover against South Africa's next government should it cast a covetously "democratic" eye at their assets.

All US companies which either own or control South African concerns that employ more than 25 people are required to register annually with the state department and to show that they are complying with the Code of Conduct set out in section 208 of the CAAA.

The code, based on the principles launched by the Reverend Leon Sullivan in 1976, has a motherhood quality to which it is difficult to object without being branded insensitive — or worse. It is nonetheless an imposition on companies that must abide by it and an intrusion on the sovereignty of the host country, regardless of how it is governed now or in the future.

## Ratings

This is not to challenge the general worthiness of the code's particulars, most of which mirror, at least in intent, domestic US anti-discrimination, affirmative action, minimum wage and labour law.

The major departure from local practice is a stipulation that firms take "reasonable steps to improve the quality of of employee's lives outside the work environment with respect to housing, transportation, schooling recreation and health".

There is also a non-binding exhortation to the managements of South African subsidiaries to take political action against apartheid laws and practices.

Compliance with the code is assessed in one of two ways. Firms may opt to answer a questionnaire prepared by the State Department or they may participate in the considerably more rigorous Statement of Principles regime which grew out of the system overseen by the Rev Sullivan until he abandoned it in 1987 to call for all-out disinvestment.

Either way, each company's performance is rated and made public annually. The ratings are based in large measure on the sums of money the firms spend in various action areas, many of them well beyond the workplace. For the record, 26 firms with 4 877 South African employees were rated by the State Department in its latest report, which covers calendar year 1990 (even though it was only released in January).

## Evaluated

Fifty-two with 17 693 employees chose the Statement of Principles route. Their performance for the year ending June 30 1991 was evaluated by the independent accounting firm Arthur D Little which released its report in October.

Out of the 78, only one did not achieve a basic passing grade. The exception, a privately held consulting firm called National Utility Service Inc., was found by the State Department to have paid three of its 40 South African employees less than the minimum acceptable wage — in this instance 130% of the Minimum Living Level established by Unisa for a family of five.

Sixteen State Department firms and four signatories were placed in the "Needs to Become More Active" category, meaning that they satisfied basic requirements but had either not done enough to train and promote non-whites inside the company or had paid insufficient heed to community development, education and "social justice" outside.

Whatever the ratings say about the companies themselves, one point should hit any objective reader of the reports between the eyes. These documents and the process underlying them are unique.

The American investor can go virtually anywhere else and, so long as he stays on the right side of the Foreign Corrupt Practices Act (which forbids the bribing of foreigners), how he spends his money is largely a matter between himself and the local powers.

If he goes to South Africa, on the other hand, his activities are subject to minute scrutiny and regulation from the US.

## US-based WordPerfect moves to SA

US-BASED WordPerfect Corporation is to announce today the opening of a regional office in SA, its 18th outside the US.

The new office will provide free customer support and product marketing to the southern Africa region. *Monday 9/3/92*

WordPerfect is estimated to have a 70% US market share in the word processing software arena, and new branch GM Has-mukh Gajjar says it probably has a similar market share in SA's estimated R8m-R10m word processing software market.

Gajjar says most of the new staff members are moving over from WordPerfect's

MELANIE SERGEANT

sole authorised distributor in the region. HNR Computers. (62) (44)

WordPerfect chairman Bruce Bastian says: "On all levels, there will be a tighter degree of involvement in meeting the local needs of SA users."

Coinciding with the announcement, the corporation says its software version 5.1 will be available in Afrikaans, and other language versions are being considered.

HNR will remain WordPerfect's sole authorised distributor in southern Africa.

# US push investment in SA

From SIMON BARBER  
WASHINGTON. — After removing almost all federal-level restraints on investment in SA, the Bush administration is now actively seeking to encourage it, US officials said.

They indicated that this policy was intended in part as a deliberate show of support for President F W de Klerk and the Codesa negotiating process.

Secretary of State James Baker will soon issue a finding that SA is a "friendly" country and that US business may therefore apply for official loans to scout out investment opportunities there.

At the same time, the government-backed Overseas Private In-

vestment Corporation is gearing up to provide risk insurance, direct loans and loan guarantees to US investors in SA.

An OPIC investment mission to SA is expected shortly. Its purpose will be to introduce US investors to business and political leaders, and potential joint-venture partners.

By being deemed "friendly", SA becomes eligible to benefit from the US Agency for International Development's Trade and Development Programme (TDP).

TDP awards interest-free loans to US companies to conduct feasibility studies for potential investment in African countries. It also provides grants directly to Afri-

can governments to hire US companies to undertake planning studies

"We are interested in doing whatever we can to help the SA economy," a US official said.

OPIC vice president Kevin Callwood said in a recent speech that his institution wanted to support the creation of joint ventures between US and black-owned South African business. CT 12/3/92

According to a forthcoming study by the Washington-based Investor Responsibility Research Centre, the number of US companies with direct investment in SA appears to have bottomed out at 106. (b2)

**I**T IS OUR firm policy to encourage business to consider SA as an investment opportunity." Assistant Secretary of State for Africa Herman Cohen announced at last October's fraught encounter between US businessmen and the ANC at Notre Dame university. The Bush administration has taken several important steps in recent weeks to show he meant it.

President George Bush has authorised the US Export-Import Bank (Exim) to insure or provide credits for exports to the SA government as well as to private sector concerns that meet certain fair employment standards. US officials have indicated they will be broad-minded in assessing compliance with the standards, which were mandated by Congress.

The Overseas Private Investor Corporation (Opic), a federal agency that backs US investment abroad, has been given the green light to add SA to the list of 40 African countries in which it is already active. It will send a high-level delegation to consult Codesa parties in May.

**S**ecretary of State James Baker last week officially declared SA a "friendly country" for the purposes of the US Agency for International Development's trade and development programme, which will now be able to finance feasibility studies by US firms interested in investing in the country.

Coming on top of the administration's expressed willingness to support SA access to IMF and World Bank credits, these steps represent a critical departure in US policy. Washington is no longer merely reducing obstacles to US investment in SA, it is actively providing incentives for US firms to become engaged.

Exim, which has been effectively closed for SA business since 1978 by a legal provision known as the Evans Amendment, guarantees repayment of fixed or floating rate loans from US or foreign lenders to buyers of US exports. The guarantees generally cover US capital equipment and ser-

# Incentives push US firms to consider investing in SA

B Day 17/3/92

SIMON BARBER in Washington

vices eligible for medium- and long-term financing.

SA buyers should also be able to obtain medium- and long-term loans for up to 85% of the contract price of US capital goods and services at the minimum fixed interest rate currently posted by the Organisation for Economic Co-operation and Development (OECD).

The only proviso is that the goods and services in question must be deemed to face officially subsidised foreign competition. However, this does not apply to exports produced by small businesses and where the loan amount is \$2.5m or less.

In addition, Exim offers fixed rate intermediary loans to lenders who extend credit at the OECD minimum rate to buyers of US goods, and assists US firms to raise working capital for their export production and marketing activities by providing repayment guarantees.

While Exim's services are unabashedly oriented to expanding US exports — not for nothing has it been dubbed the Boeing bank — the net, and not unimportant benefit to SA is reduced costs for the imports it will need as it retools its economy.

Unlike Exim, Opic is primarily a development agency whose mandate is to promote growth in "less developed friendly" countries by encour-

aging US private investment in them. It does this in two main ways, first by providing insurance against political risk and second by financing investment projects through direct loans and loan guarantees.

Insurance premiums range from \$0.30 to \$1.95 per \$100 covered depending on the type of coverage. There are three basic kinds, all of which would seem to have some relevance to SA in the immediate future.

**T**he first is against inconvertibility, and protects US investors unable to convert local currency earnings into US dollars. It also protects against discriminatory exchange rates, but not against devaluation. The second covers confiscation or the nationalisation of investment without fair compensation, and also against "creeping expropriation", a set of actions whose cumulative effect is to deprive investors of their fundamental rights in the investment. The third provides shelter from losses, either of business income, or tangible assets, or both — depending on the degree of cover sought — due to political violence.

Opic provides direct loans ranging up to \$6m to small businesses in which US investors have a 25% stake

or greater. A small firm is defined as an industrial company with annual sales of less than \$142m, or a non-industrial concern with stockholders equity of less than \$48m. Loan guarantees of up to \$50m are also offered.

Before it starts sponsoring investment in a specific country, Opic — which is financially self-sustaining — must, by law, satisfy itself that it is not going to lose its shirt and that the government concerned is genuinely "receptive to private enterprise, domestic and foreign".

This generally entails the signing of a formal agreement with the host authorities and is one of the reasons the delegation is heading down for talks with the Codesa parties in May. The team will also scout out promising investment sectors, including the possibility of joint ventures between US and black-owned SA firms.

An Opic agreement is a valuable instrument by itself. As the organisation's vice-president for international development, Kevin Callwood, explains, "even before Opic programmes begin to operate, the announcement of their availability ... gives US firms an additional measure of confidence that it is safe to do business in a country".

An extra benefit for SA is that once it is eligible for Opic insurance cover, it may also have access to the

Africa Growth Fund, a private investment group managed by the Equator Bank with Opic support.

The fund makes equity investments ranging from \$500 000 to \$3m in a wide range of ventures, including manufacturing, agriculture, construction, mining, chemicals, finance and parastatal privatisation. It looks for high projected returns, significant levels of locally added value, a fair degree of export earnings and a short project development cycle — at most seven years between start-up and full operation profitability.

Because of the backing the fund receives from Opic, all projects supported must have Opic risk insurance and must involve some significant US interest: imports of US goods and services, for example, or US private sector equity investment, or a technical management contract with a US concern.

USAID's trade and development programme is not quite in the same league as Exim or Opic. It does, however, round out the package of official blessings US companies look for when considering investment in foreign countries.

**A**s far as SA is concerned the programme offers two basic benefits. First, it will encourage US firms that have not given the place much thought to look again by, in effect, paying them to assess opportunities. It offers four-year interest-free loans for firms to conduct feasibility studies in eligible countries. The only condition is that projects under study should enhance US exports if implemented. Second, the programme will award grants to the SA government to hire US contractors to help plan major public sector projects.

Some — especially those who believe the horrors of apartheid have given them a right to pure charity — may argue the trade and development programme, Opic, Exim and their ilk are all self-serving. Of course they are. How else could they be justified to US taxpayers? The point is they are there and SA needs all the economic help it can get.

There is just one other thing. If the "no" lobby wins today, all the above can be disregarded.



# US investment breakthrough

*BID au*  
 THE US yesterday announced two breakthroughs in trade and investment with SA, signalling the possible return of substantial US investment.

In the first, the Overseas Private Investment Corporation (Opic) announced that it would send a high-level delegation to SA within two months to investigate the possibilities of US private investment in SA.

A US embassy source said investments were possible in the fields of computers, food processing and chemicals.

Opic insures US investors against political risk, expropriation, war and currency problems.

SA qualified as a country able to obtain Opic involvement when US President George Bush announced the lifting of the Comprehensive Anti-Apartheid Act in July last year.

The embassy source said

*17/3/92 62*  
 PATRICK BULGER

it was uncertain whether investment would be forthcoming before an interim government was in place, but that investors needed to gauge the possibilities so they were not caught unawares when such a government was established.

Concerning the second development, the State Department said the Trade and Development Programme (TDP), which funds feasibility studies in "friendly" countries, would

begin operations in SA. The TDP investigates projects which could boost US exports. The embassy source said the TDP concentrated on socio-economic projects in the fields of housing, education and health.

The US Embassy said in a statement that the concern "we share with South Africans over the economic condition of this country as it pursues a transition to a non-racial democracy make it appropriate to have TDP activities here".

● See Page 8

# US firms show cautious interest in SA investment

ARG 19/3/92

The Argus Foreign Service

(62)

WASHINGTON. — There has been a rise in American business activity in South Africa over the past year and this could be a prelude to vigorous new investment once there is clarity about the ANC's economic policies and if violence subsides.

In its annual survey, the Investor Responsibility Research Centre, an independent non-profit group which advises US business on overseas investment, reports that 55 more American companies have started doing business in South Africa since publication of its 1991 survey, bringing the total to 233.

By contrast, the report says, there has been no change in the number of companies with direct investment in South Africa. There are 106 of these.

Analysing the statistics, the IRRS says: "For the time being, US companies that see potential in the South African market are testing the waters through distributorships, franchises and other trading arrangements that do not require them to commit substantial capital."

It noted that a survey of US banks last year showed that of 77 respondents, only one had made a loan to a South African borrower in 1991, while 46 said they had policies specifically prohibiting such loans.

The survey lists three conditions necessary to encourage more direct investment in South Africa — the establishment of an interim government, the outcome of a review in the next few weeks of the ANC's economic policy, and the establishment of a "normal relationship" between South Africa and the International Monetary Fund.

The report says the continuing high level of violence, combined with uncertainty about a economic and political system, "add up to an unacceptably high level of risk".

Sanctions still in force by more than 50 states, cities and counties in the US, probably would be lifted once an interim government was in place, the survey said.

# US business activity in SA increases

STAR 19/3/92

By Hugh Robertson  
Star Bureau

(62)

WASHINGTON — There has been a dramatic rise in non-equity American business activity in South Africa over the past year, which could be a prelude to vigorous new investment once there is clarity about the ANC's economic policies, and the level of violence subsides.

In its annual survey, the Investor Responsibility Research Centre, an independent non-profit group which advises United States business on investment in South Africa and other countries, reports that 55 more US companies have started doing business in South Africa since publication of its 1991 survey, bringing the total of non-equity American companies involved in South Africa to 23.

By contrast, the report says, there has been no change in the number of US companies with direct investment in South Africa, or with employees in the country. There are now 106 of these.

Analysing the statistics, the IRRS says: "For the time being, United States companies that see potential in the South African

market are testing the waters through distributorships, franchises and other trading arrangements that do not require them to commit substantial capital."

It noted that a survey of US banks last year showed that of 77 respondents, only one had made a loan to a South African borrower in 1991, while 46 said they had policies specifically prohibiting loans to any South African borrower.

The IRRS survey, now on sale in Washington, lists three conditions which would be necessary to encourage more direct US investment in South Africa — the establishment of an interim government, the outcome of a review in the next few weeks of the ANC's economic policy, and the establishment of a "normal relationship" between South Africa and the International Monetary Fund.

The report says the continuing high level of violence in South Africa, combined with uncertainty about the country's future economic and political system, "add up to an unacceptably high level of risk".

The local sanctions which remain in force in more than 50 states, cities and counties in the US probably would be lifted once an interim government was in place.

## US investment in SA 'at a low'

NON-EQUITY US business links to SA have risen dramatically in the past year, but US investment in SA is at its lowest point in several years. (2)

The authoritative Washington-based Investor Responsibility Research Centre notes in its latest annual survey that as US government sanctions against SA fade, US business in SA appears to improve. (2)

The centre, an independent, non-profit institution, says it traced 55 more US companies doing business in SA through non-equity ties in 1992 than was the case in 1991. (2)

However, the number of US firms with direct investment or employees in SA was at its lowest point — 106 — since the centre began tracking these trends in 1982, and virtually unchanged from 1991.

"More than twice as many US firms — 233 — do business there through non-equity arrangements."

However, the resounding "yes" vote in the referendum "will help to reassure potential investors about SA's political prospects". BIDAY 23/3/92

The centre says US companies are still reluctant to invest. Although the federal ban on new investment has been lifted, more than 50 state, city and county laws still inhibit this.

Also, continuing violence and uncertain-

BIDAY 23/3/92  
Political Correspondent

ty over a future political system added up to an unacceptable level of risk.

The centre notes for the time being, US companies that see potential in the SA market are "testing the waters" through distributorships, franchises and other trading arrangements that do not require a substantial capital commitment.

Similar trends were revealed in a recent survey of the largest US banks. Of the 77 respondents, only one said it had made a loan to a borrower in 1991, and 46 said they had policies that specifically prohibit loans to any SA borrower.

The centre says in spite of the referendum result, increased US lending and investment in SA would depend on how soon a generally accepted interim government could be established and whether SA resumed its normal relations with the IMF, reducing the risk of lending and investing in the country.

It notes that the ANC has said it will call for the lifting of economic sanctions once an interim government has been established. "This, in turn, would give a cue to American states and cities to lift their selective contracting laws."

The ANC's economic policy will be another factor in re-establishing US ties.

# US 'presence' at lowest ever level

STAR 24/3/92

(b2)

Despite American president George Bush lifting the ban on new investment in South Africa in July last year, the number of American companies present here is "the lowest it had ever been".

According to the latest Race Relations Survey, published by the South African Institute of Race Relations this week, none of the 215 companies which disinvested between 1981 and August 1991 sold South African subsidiaries to black management, and that only two gave black workers minority stakes.

The number of non-American companies with direct investments in the country increased by 23 to 456 in 1991, thus reversing a four-year declining trend.

According to the survey, of those companies that still had direct investment, 156 were British, 132 German, and 104 American.

Though few foreign investors were prepared to commit money to South Africa for fear of political instability and future economic policies, the

country nonetheless rapidly reversed its international isolation after February 2, 1990.

In a special section highlighting the turnaround in South Africa's international position, the 1991/92 Survey reports that trade delegations from more than 50 countries visited South Africa during 1991.

By the end of October 1991 new South African missions had been opened in Bulgaria, Czechoslovakia, Hungary, Morocco, Namibia, Poland, Romania, Rwanda, the Soviet Union and Turkey.

The year also saw the lifting of the ban on flights by South African Airways (SAA) over Africa. Flights were opened to a number of new destinations, among them Nairobi, while flights to New York were reinstated.

It was also reported that Czechoslovak Airlines would open an office in Johannesburg in 1992, and that the Malaysian airline was expected to open flights to South Africa next month. — Staff Reporter and Sapa.

# Coke to remain in Swaziland

*Sowetan 25/3/92*  
MBABANE - Coca-Cola has decided against returning to South Africa, the major concentrate-making plant it moved to Swaziland in 1987 because of anti-apartheid sanctions. Instead, the company is to spend R20-million on ex-

panding the Swaziland plant, almost doubling its investment in the kingdom. The move was announced yesterday by Coca-Cola's world vice-president, Mr George Gourlay, after a meeting with King Mswati.



C

# US unions help to push for settlement of strike in SA

IN A rare display of international solidarity, the National Union of Metalworkers (Numsa) and US trade unions have acted successfully in support of one another.

US multinational Crown Cork & Seal has succumbed to pressure from a broad alliance of US unions, African solidarity groups and congressional leaders, and told its wholly owned SA subsidiary to settle its dispute with Numsa.

By forcing the agreement, the alliance claimed an important victory in what was considered a test case for the role of the US solidarity movement in a post-sanctions and post-apartheid SA.

Last September 196 workers were dismissed from Crown Cork's Alrode plant for supporting a two-day stayaway called for by Cosatu in protest against violence.

This week — in its fourth mediation session with Numsa over the dismissals — Crown Cork will propose settling on the basis of immediate reinstatement of 100 workers, with the outstanding 96 placed on a preferential recall list.

A company spokesman said the

15 May 30/3/92  
 DIRK HARTFORD

firm would also offer R500 000 to retrain or voluntarily retrench the 96.

A Numsa spokesman said the company's offer was a "breakthrough", but said the workers insisted that all 196 be reinstated immediately. The union would try to achieve this through mediation.

Mike Fleishman — labour desk coordinator for the US-based Africa Fund — said what was important about the offer was that it demonstrated "the US anti-apartheid movement is still able to mobilise real union-to-union solidarity and inflict real punishment on US multinationals which inflict acts of corporate aggression against the democratic movement". Africa Fund co-ordinated the US campaign.

If Crown Cork reneged on the agreement — which was struck with US unions and solidarity groups at the company's headquarters in Philadelphia — the issue would be turned into a major international human rights effort, Fleishman said.

"Crown underscores the impor-

tance of maintaining strong Western solidarity movements and of developing enforceable standards of corporate conduct for multinationals."

Central to the US campaign against Crown Cork was a visit by Numsa organiser Bethuel Maserumule. He returned to SA this week after mobilising support for the campaign among US unions.

Besides the United Steelworkers of America, which organises Crown Cork in the US, the International Association of Machinists, the United Automobile Workers, the Coalition of Black Trade Unions, two national garment worker unions and a network of anti-apartheid committees were involved in the campaign.

In addition, congressional leaders Ron Dellums and John Conyers gave strong backing.

Numsa workers at Caterpillar in Isando staged daily one-hour work-stoppages last week in solidarity with 10 000 US Caterpillar workers, who were striking over central bargaining. Numsa demanded that management write to its US parent company urging it to settle with the strikers. After two days, management agreed.

## Sara Lee may be 'buyer' in W & A sale

B/D ay 3/13/92  
MARCIA KLEIN

THE overseas investor behind the R200m cash acquisition of W & A's hosiery division could be US company Sara Lee, various sources said yesterday. (62)

Yesterday W & A said it had sold its hosiery division — Arwa and Burhose — to The SA Hosiery Company, a subsidiary of Durban-based Kiwi Brands which makes Kiwi shoe polish and Radox bath additives. The announcement said Kiwi was supported in this investment by First National Corporate and Investment Bank. (62)

Sources said Sara Lee, with interests in the largest manufacturer of ladies' hosiery in the US, also had a large stake in Kiwi Brands. Known as a producer of cake mixes and frozen foods and desserts, Sara Lee was also involved in textiles.

Analysts said the sale of the hosiery division was a strategic move for W & A. One said any local buyer of the hosiery division would be faced with problems, as the SA market was limited. (62)

The SA company would have to establish additional volumes overseas, either by establishing the SA brand name overseas or by exporting and selling under an international company's brand name.

But it was likely that if this second route was taken, the overseas partner would reap the benefits of the added value of the brand name, and the SA company would become a commodity producer, an analyst said. B/D ay 3/13/92

The disposal of the hosiery division meant it would have the opportunity to expand, but with another parent. "When seen in terms of the global market, the disposal makes sense and can be seen as strategic on behalf of W & A."

W & A said at the weekend the transaction had the effect of reducing gearing, and by selling less than 10% of its assets it had recouped "the entire purchase price of obtaining a controlling shareholding in the W & A Group in September 1987".



# Big daddy Crown

## bows to pressure

W/M/2004 3/4-9/4/92  
By Ferial Haffajee

ONE of the last great anti-apartheid campaigns in the United States this week secured the reinstatement of 100 workers dismissed from the Johannesburg-based subsidiary of a US multinational.

Alrode on the East Rand, a subsidiary of the giant US-based Crown Cork and Seal company, this week agreed to reinstate 100 workers and give substantial termination packages to the 96 workers it dismissed en masse last year.

The Africa Fund, at the request of the National Union of Metalworkers (Numsa), mobilised a congressional, union and anti-apartheid lobby to rally behind the workforce of Alrode.

Alrode dismissed all its employees after a September 16 and 17 stayaway to protest against the East Rand violence last year and replaced them with members of the Inkatha-aligned United Workers Union of South Africa (Uwusa).

When the company refused to negotiate the dismissals, Numsa turned to its sister unions in the US for aid.

Africa Fund representative Mike Fleishman said "the campaign struck a deep chord with American unionists". The US is the only country in the world besides South Africa where a striking workforce can be permanently replaced.

The campaign drew an immediate response from the parent company in the US, which sent out a high-ranking executive, Richard Kryzanowski, to investigate. He was unable to get the company to negotiate rehiring but, according to Fleishman, "he instructed local

management to negotiate a termination package with R500 000 on the table".

Soon after initial negotiations, the South African Police arrested six workers and brought charges against three union officials. This gave impetus to the campaign which saw the company subjected to picketing and protest letters.

"The campaign promised problems for the company inside its US plants, within its own boardroom and in the streets," says Fleishman.

Finally this week, the company succumbed to pressure from big daddy in Philadelphia and offered to reinstate 100 workers and place the remaining 96 on a preferential recall list. A company spokesman said the firm would also offer R500 000 to retrain or voluntarily retrench the 96.

Union-to-union contact in multinationals is growing in South Africa: Numsa workers at Caterpillar in Isando last week staged daily one-hour work stoppages in solidarity with 10 000 US Caterpillar workers striking over centralised bargaining.

The Chemical Workers' Industrial Union has benefitted from union-to-union-contact in multinationals, says acting general secretary Muzi Buthelezi.

In 1990, Johnson and Johnson South Africa threatened mass dismissals but "backed off" after pressure from the Amalgamated Union of Clothing and Textile Workers in the US. And through transnational union campaigns, Thor Chemical's import of waste into South Africa from US Cyanamid was exposed internationally.

# Mbeki expects major US investment soon

B [unclear] 10/4/92  
HAMBURG — ANC negotiator and foreign relations chief Thabo Mbeki said yesterday he expected several major US corporations to announce large investments in SA within the next month, Reuter reports.

He said a major soft drink manufacturer, a big engineering and construction group and a large food group would make their investment plans public soon. He declined to name the companies.

Mbeki said Washington was likely to lead an investment drive into SA following a huge referendum "yes" vote.

"US companies will be leading new investment. They are very interested in coming back," Mbeki said after a seminar in Hamburg on the future of his country's economy.

Most US corporations divested their SA holdings in the '80s.

Mbeki said the ANC was confident the Codesa talks would succeed in creating an interim government council by June.

This would pave the way for democratic elections by the end of the year, he told the seminar. A new constitution could then be put in place by mid-1993.

Mbeki stressed the ANC's beliefs in the market economy and said it had no ideological commitment to nationalisation.

"The issue of investor confidence is im-

portant. You can't threaten to nationalise property and expect people to invest."

Mbeki said a new SA government would need to carefully review economic policies with the aim of redistributing wealth.

A blend of policies, including privatisation, creation of new public agencies and in isolated cases nationalisation, would probably be needed to reshape the economy.

Meanwhile economic affairs deputy director Tito Mboweni said in an interview with Enterprise magazine that the ANC would review its nationalisation policy this year and will soon also publish its draft investment policy, reports Sapa.

The ANC envisaged transforming government departments, pushing up corporate tax, promoting the informal sector and giving priority to victims of forced removals in its land redistribution programme.

"We will need to set priorities and make realistic choices," he told Enterprise.

"Longer term developmental objectives should have priority over short-term sectional interests. We are convinced that we need a developmental state to lead, coordinate, plan and dynamise a national economic strategy."

Mboweni said a review of the nationalisation policy did not mean the ANC would backtrack from policies to democratise the economy.

# LTA buys US stake

SITWOS CBUSJ 12/4/92  
LTA has bought roofer, panel and flooring company HH Robertson from American-based shareholder Robertson-Ceco for R15,1-million. (62)

The businesses complement those of LTA subsidiary Dekex

Systems. The deal comes only weeks after rival construction company Group Five bought control of Everite, which is also involved in ceilings, pipes and fibre-cement products.

# US investment on the cards

NEW investment from US conglomerates Pepsi, Sara Lee, Heinz and construction group Morris & Knudsen could be imminent following ANC foreign relations chief Thabo Mbeki's disclosure last week that several US companies planned new investments in SA. *B1000y 13/4/92*

Pepsico and Heinz are believed to be the soft drink manufacturer and food group expected to make their investment plans public soon.

Both have been looking at the market, and senior directors have been in SA on a number of occasions.

Sara Lee may already have invested.

It is believed to have been the driving force behind the recent acquisition of Arwa/Burhose from W & A by The SA Hosiery Company for R200m.

Apart from numerous meetings with

EDWARD WEST  
and MARCIA KLEIN

(62)

Mälbak's food division (Fedfood and Kanhym), Heinz has also been speaking to two unnamed companies.

An announcement on its plans appears imminent.

Fedfood has also been negotiating with Pepsico, but said recently it would not go ahead with a Pepsi deal.

Industry sources said this left Pepsi with a number of possibilities.

They said Pepsi would need a partner for local distribution, while manufacturing and bottling arrangements could be made with established local companies.

It would probably start in the PWV area, targeting major chains.

A source said Pepsico could be interest-

□ To Page 2

## Investment

*B1000y 13/4/92*

(62)

□ From Page 1

ed in forming an alliance with the SA Commercial, Catering & Allied Workers' Union, and union part-ownership could be on the cards.

However, an analyst said such a move would be difficult to effect, and would have limited company benefits.

Analysts expected Pepsico to seek a partnership with a company which had good distribution, and said Tiger Oats, Premier or Royal should not be excluded as possible partners.

One analyst suggested National Sorghum Breweries, which recently said it received R500m in investment and had a wide distribution network.

An industry source said Sara Lee was interested in bringing its frozen food lines to SA.

He believed it had been speaking to I & J about a joint venture.

Mbeki said a major US construction and civil engineering company planned to invest in SA within a month.

Speculating on possible companies likely to invest, SA Federation of Civil Engineering Contractors president and Group Five MD Peter Clogg said US-based Morris & Knudsen had expressed an interest.

However, it would be difficult for a US company to invest and operate in SA.

Not only was there very little work available, but US wage levels would render the company uncompetitive in a competitive tender environment, Clogg said.

A possible attraction for a US construction company could be that most US foreign aid programmes had clauses stating only US contractors and US-sourced materials could be used with the aid.

Clogg said France's largest construction company, Boyge, which is involved with the construction of the Katsse Dam in Lesotho, had indicated a desire to buy a SA construction company.

Ironically, it was announced today that a US company had sold its interest in an SA company. LTA has bought roofing, flooring and ventilation product manufacturer H H Robertson for R15,1m from the US-based Robertson-Ceco Corporation.

LTA said the acquisition was expected to increase earnings by at least 4c a share per year.

H H Robertson's activities would complement those of LTA subsidiary Dekex Systems, which operated in the same markets, LTA said.

# Foreigners still wary of investing in SA

By MONDLI MAKHANYA  
w/m and 16/4 - 23/4/92

Industry has written an open letter to parties at the Convention for a Democratic South Africa urging them to create a conducive climate for investment.

The letter highlights issues of concern of almost all the foreign investors waiting to come into the country: high taxation and guarantees on repatriation of capital and dividends out of South Africa; fear of possible nationalisation, and that foreign firms should be treated on the same basis as local companies.

Points out German Chamber of Commerce deputy director Matthias Boddemberger: "There is a lot of interest but people are just waiting. As long as there is violence and the economic future is not certain, investors will not commit their money."

Low growth — which has been with us for the past decade and which worsened with the onslaught of sanctions — has created a vicious circle.

"Investors are unwilling to invest because of the low growth rate here, but that in itself is preventing the economy from growing," says Econometrix director Azaar Jammine.

This is exacerbated by high real interest rates which are set to remain as high so long as the inflation rate is high.

What South Africa also needs to avoid, says American Chamber of Commerce executive director Michelle Cohen, is prescribing to investments via an investment code.

"We must be aware that people are not queuing up to invest here. There are plenty of exciting investment opportunities opening up in other countries," notes Cohen.

The cost of labour is another issue which concerns foreign investors. Jammine says a lot of foreigners, particularly Oriental businessmen, are fearful of unionisation and are perturbed by the "high cost of labour in relation to productivity". Americans are also fearful of unions. But to the Europeans, who are accustomed to unions, unionisation does not prove a problem.

For some, conglomeration in the economy and the existence of near-monopolies in certain industries prevents possible entry into the South African market. This is said to be a major reason why some of these companies have gone into joint ventures and licensing agreements with local companies.

But Jammine reckons large multinationals have enough power to "break the backs" of any local business that tries to keep them out of the market.

# Relief at ANC policy paper

6/10/92 20/4/92  
FOREIGN business groups and economists reacted with cautious optimism yesterday to the proposals contained in the ANC's new economics policy document.

But there were some dissenters, and SA-Britain Trade Association executive director Alan Tew said some of the ANC's proposals would be a "serious disincentive" for foreign investors.

SA-German Chamber of Commerce president Klaus Schuurman noted "with satisfaction and relief" the industrial and foreign investment policy proposals. It was encouraging to see the ANC saying it sought to promote foreign investment and envisaged guarantees to protect investors.

The document proposes that guarantees be given by the state on, "among other things", the repatriation of after-tax profits, the purchase of inputs, the sale of domestic assets, the maintenance of macroeconomic balance by the state, and a climate of peace and stability.

A US government official, speaking on

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DARIUS SANAI and  
ADRIAN HADLAND

condition of anonymity, said the document contributed to the dialogue between the ANC and US firms planning to invest in SA.

Tew said he was concerned about a sentence in the section on foreign investment policy which stated that "foreign firms will not be nationalised without adequate and fair compensation".

The US official said the ANC's attitude towards foreign investment was becoming more and more positive. "A single clumsily worded sentence talking about compensation for the nationalisation of foreign firms is relatively unimportant in the overall context," he said.

Safto GM Ann Moore welcomed the "apparent importance" the document attached to exports.

A Sacob spokesman said the document contributed to the economic debate in SA.

● See Page 3

.....	420,2	+10	57,7	+13	118,0	+18	33,0	+18
Firstbank.....	—	—	344,3	+30	257,7	+20	60,0	+11
Faircape ▲.....	34,6	-1	-1,9	N/A	-28,1	N/A	—	—
Presto.....	13,8	+13	0,2	N/A	1,2	N/A	—	—
▲12 months								

US-BASED international project management group The Badger Company Inc and Murray & Roberts subsidiary Engineering Management Services (EMS) are to enter a joint venture.

## Badger US in Africa

The project management company, to be called Badger Africa, will focus on the chemical and petrochemical fields. Its target market will be Southern Africa. The venture will be launched in June.

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# Sanctions brigade clings on

STAR 2/15/92



**F**IRST the rumours began, then the first tendrils to suggest that there might just be something to them, and now has come what seems like confirmation that as the impetus for sanctions against South Africa wanes it is being replaced by something potentially as troublesome.

Instead of abandoning their crusade, the panoply of organisations and individuals who fought the battle to get sanctions into place in towns, cities and states across America have diverted their efforts towards seeking to control and filter whatever trade and investment might flow when local sanctions end.

When the rumours started, the gist of them was that the anti-apartheid establishment, alarmed by the ease with which President Bush was able to lift federal sanctions last year and recognising the peril of being sidelined in this process, got together and worked out a response.

Reportedly it had two parts — a short-term strategy, which was largely a holding manoeuvre to retain the very considerable local sanctions still in place, and a long-

term programme based on the acceptance that all sanctions soon would have to go, and that if those supporting punitive measures wished to remain involved in the broad issue of South Africa, a substitute for sanctions would have to be devised.

Some organisations have very pressing needs to retain their involvement with South Africa. They depend for much of their national standing, and financial support, on their South African connection. In the case of many of them, the only media attention they have had in recent months has been based on developments in South Africa.

For the rest, they have been largely ignored as public interest in Africa, as a whole has dwindled sharply. Being out of sight in the US all too often translates not only into being out of mind, but in the case of public pressure groups also being out of pocket.

Last week the rumours and speculation were given credence when the new strategy was spelt out in a statement by a consortium of anti-apartheid groups, among them such prominent advocates of sanctions as The Africa

Fund, TransAfrica, the Washington Office on Africa and the Interfaith Centre for Corporate Responsibility.

"Sanctions must be maintained until an interim government is in place in South Africa and a clear signal is given by Nelson Mandela and the democratic movement that it is time to end them. We will then be working with local governments, churches, civil rights organisations and trade union groups to implement a code of principles for investors, to take effect when sanctions are lifted," their statement said.

The code, termed "Freedom principles", is based on a code drawn up by Cosatu for multinational corporations, and the US organisations have pledged to support it and to press for its acceptance throughout the country.

A little burrowing has shown, indeed, that informal discussions have taken place with individual state legislators, on the city and town councillors, on the possibility of setting into legislative concrete a series of conditions which would have to be met by companies investing in South Africa if they wanted to continue doing business

with local authorities in the US.

So far no firm decisions have been forthcoming, but in some areas the proposal has been put forward to merely amend existing sanctions laws to permit trade and investment — on condition that the "freedom principles" are adhered to.

There are other elements also pressing for a more proprietary grip on the emerging US-South African relationship, among them black businessmen who see potential fresh pastures in the new South Africa and who recognise the advantage of having leverage at home on how those pastures might be seeded and cultivated.

Among them are some emissaries sent to South Africa by New York Mayor David Dinkins, men whose acquisitive instincts far outshine their reputations for philanthropy but whose advice on the city's sanctions policy is eagerly sought. There is nothing wrong with anti-apartheid groups working out strategies for their own survival, or promoting whatever foreign cause they choose. And there is nothing wrong with attempts to promote the upliftment of black South Africans.

A move in Congress, for instance, to set aside an amount to promote business undertakings by those who have been denied access to capital is a commendable idea, even if it appears to be a non-starter at this stage.

But there is something very disturbing indeed about groups and individuals, Cosatu included, dictating terms to investors and traders from positions of notorious ignorance when it comes to the free enterprise system.

And there is something deeply suspicious when the constraints which a free society places on business — the ceaseless probing of the media, the meticulous scrutiny of Congress, the pressure of public opinion and the sentiments of shareholders — apparently are regarded as inadequate in the case of involvement in South Africa.

If investment and trade could be turned on or off on demand, or directed according to political whim or social agenda, South Africa would have no problems. But the reverse is true. Everyone with knowledge of the subject has warned that foreign investment is scarce and will become scarcer —

for all countries. Yet in this climate, there people who would subject potential US investors to special conditions, all dogmatically conceived and who would seek to cond South Africa's economic orches when not one among them known to read sheet music. Victimising an investor cause, in the opinion of the Africa lobby in the US, or Cosatu in South Africa, his involvement does directly redress the injustices the past, is an almost embarrassingly simplistic policy. All investment ultimately contributes creating jobs, building wealth a accumulating capital for social programmes, and it is hard to believe that so basic a fact has eluded the US Africa lobby. Most of them are well-intentioned and they have been stationed allies in the long march against apartheid. But their plan to perpetuate the march is ill-conceived and deserves an urgent review — if not by themselves, they should avoid the familiar mistake of assuming that all Americans are born with financial acuity and corporate wisdom. □



# US companies have plan to link up with black businessmen

By Derek Tommey (62) (4)

American companies backed by the US Government are preparing to invest on a substantial scale in South Africa in joint ventures with black businessmen and emerging black businessmen.

This was announced in Johannesburg last night by American Overseas Private Investment Corporation (Opic) executive vice-president James Berg.

Opic, a profit-making American Government organisation, helps "small" and "medium-sized" American businesses to invest in foreign countries. (A "small" American business is one classified as having assets of \$50 million — R140 million — fairly substantial in South African terms.)

But Mr Berg said Opic will not be able to do much in South Africa until there is an interim government.

As long as American states and cities impose sanctions on South Africa, American companies would not invest in this country for fear of losing business in the US.

But there were signs that these sanctions would end once an interim Government was installed.

However, he warned that

while political freedom, democratic pluralism and non-racial Government was important, this in itself would not open the gates to foreign investment.

"Other kinds of programmes including incentives and also economic reform are what are needed to bring South Africa the kind of investment that all the parties in South Africa I have talked to seem to want."

"Countries are competing for inward investment and American companies as well as those in Europe and Japan have a great many investment opportunities open to them.

Before Opic invests in a foreign country it negotiates a treaty setting out investment conditions with the host Government. Mr Berg said a document giving details of the treaty had been presented to the Government and to non-governmental groups such as the ANC and Inkatha.

"We would want to see such a treaty approved by all parties as we would not want it to become a partisan issue.

"It is our view that American investment would be good for South Africa, and we would not want that good to be lost in political debate."

He said South Africa would present a rich menu of opportunities for American investors.

But he thought that American private investment in the future

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would follow a different path from before.

"One difference is that there would be a large number of small and medium sized companies coming in.

"These would be companies with specialised products, market niche companies, companies that stress innovation and companies that do value-added work.

"These are the kind of companies which we intend to emphasise in our marketing promotion efforts in the US, and which will mix well with the emergent business infrastructure here in South Africa and especially black South Africa.

Mr Berg said that the fact that South African currency was convertible into other currencies, and there was no restriction on the repatriation of profits was a major advantage in attracting foreign investment.

"It really needs to be mentioned on the plus side of investing here, because it is not common. You can go around the world and not find it very often. He said that Opic provided insurance cover against political risks to the American investors, but would lend money to the new project company so, if it were set up in South Africa, it would benefit both the US and South African sponsor.

# Hyatt plans SA hotels

By ZILLA EFRAT

US-BASED Hyatt Hotels & Resorts is poised to open more than two ultra-luxury hotels in South Africa. ~~62~~ (62)

It is negotiating with investors in Dubai and the US to raise finance for its first venture into sub-Saharan Africa.

Hyatt's public relations consultant in SA Gillian Goldman, managing director of Specialised Solutions, says the go-ahead for the first hotel is expected before September.

It will be in the Johannesburg area, most probably Rosebank, or in Sandton. Hyatt, the world's largest de luxe hotel group, will manage the establishment. It is likely to make a capital investment in it.

The Johannesburg hotel will seek international business travellers and prices will be in line with those of Hyatt's international network — about R1 000 a night. *SI Times (Bus)*

24/5/92  
Major

Because of stringent design requirements, the hotel is likely to be built from scratch by an SA developer. It is likely to have more than 200 rooms.

Mrs Goldman says that once the Johannesburg hotel is up and running, the group will probably turn its attention to Cape Town. It has looked at opportunities there.

A Hyatt market research team toured SA last year.

In December, Hyatt's International marketing director for Europe, Africa and the Middle East visited SA to evaluate plans involving more than R1-billion submitted by developers.

Mrs Goldman says Hyatt has been looking at Southern Africa for some time. It sees SA as a major area for development.

# US computer firms may open SA offices

Bl Day 26 [3] 92

DUMA GOUBULE

TWO overseas information technology companies are looking to open offices in SA within the next few months.

The companies — Novell and Microsoft from the US — are expected to follow the example of US multinational AST Research, which recently announced plans to invest R3m opening a new SA office.

Microsoft is expected to make an announcement next week, and Novell's announcement could be made towards the end of the year.

Tim Stiff, executive director of Lasernet, the local distributor of Novell products, said the company had indicated it would consider opening a marketing and sales office when a certain revenue target had been met. It was expected that this target would be met after October.

AST's Martin Dolney said opening offices in the country was a logical step for companies that already had

representation in SA.

Meanwhile, ISM yesterday announced it would launch a new division to concentrate on the growing open systems market.

Newly formed RISC Systems Division (RSD) GM Hilton Briner said the growth in the open systems marketplace was expected to outperform all other sectors of the computer industry.

The market was expected to grow at a rate of 40% to 50% over the next few years.

The formation of the new division was the first step in preparing ISM for this growth.

ISM MD Bob Shepherd said the formation of the new division (RSD) was in line with his company's strategy to transform itself into a number of smaller, autonomous and more focused business units.

## UN renews plea for Mozambicans

Own Correspondent

LONDON — The UN yesterday renewed its call for the SA government to grant refugee status to 100 000 Mozambicans who have fled across the border. *Bl Day 27/5/92*

A spokesman for the UN High Commissioner for Refugees (UNHCR) in Geneva said it had asked government to extend their mandate in SA to cope with the growing crisis in the refugee camps.

In September last year, the UN signed an agreement to assist in the repatriation of 15 000 exiled South Africans. The operation began in December — marking the first time in 30 years that a UN body had been allowed to operate in SA.

Now the UNHCR was trying to persuade SA to give the refugees UN protection, said Christien Berthiaume at the UNHCR headquarters in Geneva.

The drought and civil war in Mozambique has resulted in a continuous stream of exiles — in spite of the forced repatriation of up to 50 000 people a year.

BBC news yesterday highlighted the plight of the refugees who walk for days and risk their lives crossing the electrified border fence into SA to escape drought, famine and civil war.

According to the BBC, SA has maintained that giving Mozambique's exiles UN refugee status is not an option.

## ANC, govt agree to more meetings

*Bl Day 27/5/92*

SENIOR members of government and the ANC who met on Monday night agreed that more bilateral meetings should take place in an effort to bridge differences that had emerged at Codesa, sources said yesterday.

The meeting, attended by government's senior negotiators and a host of senior ANC members, was held in an attempt to clear the air after more than a week of vociferous public debate.

The decision to hold more bilateral meetings is perceived as one method of ensuring the progress of negotiations, which currently hang in the balance following the impasse at Codesa II.

If more bilateral meetings between the ANC and government are held, the focus of negotiations will inevitably move away from Codesa to these meetings between the two leading members of the two main blocks at Codesa.

The focus of discussions at the Monday night meeting was the outstanding disagreements which emerged during discussions in Codesa's working group 2 which was dealing with the form of the interim gov-

ernment and the constituting-making bodies.

However, no solution was proposed to any of the major outstanding disagreements between government and the ANC. Neither did the parties broach the thorny issue of the percentage required for a new constitution to be passed.

The issue of the Codesa forum which will decide these issues was also not agreed, although it is known government is in favour of merging Codesa working groups two and three which have the task of discussing transitional government.

There is some hope that agreement on the outstanding issues will be reached before the current session of Parliament ends in June, and both government and the ANC have publicly stated their intention to pursue this goal. However, the chance is considered small.

The meeting was held in a friendly atmosphere and the damaged relations between the two sides, exacerbated by the series of accusations and counter-accusations, were partially healed, a source said.

TIM COHEN

## Informal sector in anti-AIDS project

*Bl Day 27/5/92*  
THEO RAWANA

AMERICAN Duncan Earle, director of Population Services International (PSI), is planning to use the informal sector to distribute 4-million condoms a year in the AIDS-stricken Natal province.

Business development magazine Enterprise reports that Earle will mount the first phase of the project with extensive research to establish a new brand of condom that markets within the culture of SA.

A private, non-profit organisation, PSI has launched health and family planning programmes in 25 developing countries around the world, including about 12 in Africa.

Earle aims to enlist an "army of wholesalers" who will make condoms and vital health information available in shebeens, bars, spaza shops, factories, transport depots and through pavement hawkers.

These retailers will also act as advisors and will be equipped with basic training, says Earle.

He plans to get the condoms on sale throughout Natal by mid-year and go nationwide next year.

The main thrust of the condom programme is to curb the spread of the HIV virus which leads to AIDS, and which is particularly prevalent in Natal, says Earle.

Earle says that at R1 each condoms are too expensive for the average South African, so PSI intends slashing the retail price to between 15c and 20c a piece, or 50c for a pack of three.

While parent company PSI-USA has pledged substantial funding, PSI has also been negotiating with a number of top SA companies for financial support.

The entire project is being run by Earle from his office in Durban.

He was responsible for launching similar projects in Cameroon, the Central African Republic and Benin.

## Gambler cites Act in renegeing on debt

CAPE TOWN — A Sea Point casino is suing a Constantia man for a R75 000 gambling debt which he refuses to pay, claiming it is not enforceable by law and that he lost the money playing an illegal game of chance.

Highstead Entertainment, trading as The Club, claimed in the Supreme Court in Cape Town on Monday that Ruby Rutenberg of Daw Avenue had stopped payment of a cheque for R75 000 in settlement of losses for one night's gaming and demanded immediate payment with interest.

In an affidavit Rutenberg admitted stopping the cheque, but said he was entitled to do so.

He said he issued the cheque to The Club in settlement of a gambling debt which was not enforceable by law and which he was not obliged to pay because the transaction was in contravention of the law.

On April 21 he went to the casino and arranged for The Club to provide him with credit. Before being given his chips he had to sign a blank cheque which would prevent a gambler from later refusing to pay.

He was provided with chips worth R75 000 and by the end of the evening had lost the lot.

He played a game called ace high which was a variation of blackjack.

The game was "predominantly one of chance", as even a skilful and experienced player could do little when he had a weak hand, Rutenberg said.

Although it was sometimes contended that "card counters" — players who had the rare ability to count and remember which cards had been dealt — could predict with a some accuracy what most of the remaining cards would be when the game had progressed to a certain stage, he disputed this. — Sapa.

## US PC maker to invest R3m

DUMA GOUBULE

AST, one of the US's largest PC manufacturers, yesterday unveiled plans to invest nearly R3m in SA next year. *BIP ay 20/5/92*

The Fortune 500-ranked company, with an annual turnover of \$1bn, would open a sales office in the country this year.

AST SA sales manager Martin Dolney said the company had been marketing its products in SA through authorised dealers for more than five years. The decision to open an office was part of the company's worldwide expansion strategy.

# Badger sheds its cloak in SA

US ENGINEERING and construction group Badger International, after braving sanctioners with its surreptitious involvement in local multimillion-rand petro projects in SA for five years, is to return openly.

Its controlling company, Raytheon, bowed to sanctions pressures in 1987, saying it had sold 85% of its SA interests and that it intended to sell the rest.

In what was essentially a warehousing operation, Badger teamed up with Murray & Roberts subsidiary Engineering Management Services (EMS) under the banner of Process Industry Engineering (PIE).

Because of sanctions pressures at the time, Raytheon was reluctant to say whether it had maintained licensing or technical agreements with SA.

Badger has reopened an office in Johannesburg, and will trade as Badger Africa.

Essentially, PIE has been renamed. It is at present working on design and construction projects for Natref in Sasolburg and Sapref in Durban.

The projects are worth a combined R850m.

Badger MD David Beldotti said yesterday: "Badger never left SA.

"We provided engineering, design and

KARIN FRANKEN

construction services to Sapref in the early '70s, and engineering, design, procurement and startup services for the giant Sasol 2 and Sasol 3 complexes at Secunda.

"During the more recent difficult times, as PIE, we carried out engineering, design, procurement and startup support services for the synthol units at the Mossel Bay onshore refinery."

EMS MD Bob Allester said the successful liaison with Badger would allow easier access to international experience, research and knowledge for the industry.

Other projects undertaken during the past five years included design and construction services for synthol units at the Mossel Bay refinery.

Further projects included design and construction management of Sasol's N-Butanol facility at Secunda.

The company is undertaking the grassroots installation of delayed coker facilities for Sasol at Secunda.

It said it also intended to expand into the fertiliser, pharmaceutical, food and environmental sectors during the coming year.

## Alexander Proudfoot in SA

JONO WATERS

62

INTERNATIONAL management consultancy Alexander Proudfoot — based in Florida in the US — has entered the SA market with the acquisition of Quality Management Associates (QMA) for R10m.

Proudfoot CE Tom Huhn said the acquisition was a significant step in the group's international expansion programme.

Colin Bloom, MD of Alexander Proudfoot Company of SA, said QMA would be able to draw directly on the Proudfoot group's international expertise.

Proudfoot, which is listed on the London Stock Exchange, had a worldwide turnover in 1991 of R900m.

## **NEWS IN BRIEF**

### **Distribution deal**

US PUBLISHER Pfeiffer & Company signed an agreement with the Wisden Institute of Training in Johannesburg to establish a joint distribution operation, a Wisden spokesman said yesterday.

Pfeiffer has subsidiaries in Canada, the Netherlands and Australia as well as a network of 15 distributors serving other international markets.

Pfeiffer and Wisden's offices will open on July 1. Its first shipment of books and business training packages, worth R1,5m, will arrive in SA on August 1.

B/Dang 5/6/92



# US business will Sowetan 8/6/92 come back to SA

AMERICAN companies backed by the United States Government are preparing to invest on a substantial scale in South Africa in joint ventures with black businessmen.

This was announced in Johannesburg this week by American Overseas Private Investment Corporation executive vice-president Mr James Berg. (62)

Berg said that Opic would not be able to do much in South Africa until there was an interim government.

As long as American states and cities imposed sanctions on South Africa, American companies would not invest in this country for fear of losing business in their country.

He warned that while political freedom, democratic pluralism and nonracial government was important, this in itself would not open the gates for foreign investment.

# US concern over lack of tax treaty

*b/12/92 16/6/92*  
WASHINGTON — Congressman Charles Rangel, author of the now-repealed double taxation rule for US companies in SA which forced the departure of Mobil Corp and other major firms, is fighting to block negotiation of a new tax treaty between the US and SA.

The original treaty was unilaterally abrogated by the 1986 Comprehensive Anti-Apartheid Act.

The absence of a new one, say US corporate officials, remains a serious worry for firms considering investing in SA.

The US Treasury Department has been sounding out the tax-writing House ways and means committee on the possibility of negotiating a new treaty as part of the administration's continuing efforts to remove impediments to investment in SA.

Rangel, a senior member of the panel, wrote to Treasury secretary Nicholas Brady last week that while he believed Pretoria had made "very significant" progress towards the establishment of an interim government, further normalisation of US-SA relations should wait until such a government was in place.

(62) (328)  
SIMON BARBER (288)

A spokesman for Rangel, John Sheiner, described the congressman's position as a largely symbolic gesture. He said it would not have a significant impact on US investment decisions.

An executive from a major US corporation active in SA differed strongly, however. "It's damned important. A treaty gives an assurance to investors that they won't be ripped off tax-wise," he said.

The main purpose of such treaties was to establish reciprocal methods to prevent double taxation and tax evasion.

At the moment, Ambassador Harry Schwarz noted yesterday, tax advantages offered by the SA government to attract US investors would be nullified because they would simply reduce the size of the credit the investors could take against the US tax bill.

It is unclear at this stage whether Rangel will succeed in delaying the start of negotiations, which in any event are usually a lengthy process.

The final treaty will be subject to confirmation by the Senate.

## Compaq in major push (62)

The American-based multi-national computer company Compaq has begun its first major push into the South African market, launching a range of more than 20 new products.

The new range includes Compaq's first low-cost desktop and notebook PC's, a power-

ful colour notebook and two technically advanced and upgradeable desktop PC's with extensive graphics and audio technologies.

Price reductions for its COMPAQ LTE Lite notebook family range between 29 and 34 per cent. — Sapa.

STAR 16/6/92

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# Amcham setting up regional network

THE American Chamber of Commerce (Amcham) is setting up branches in Swaziland, Namibia, Botswana and Mozambique and changing its name to the American Chamber of Commerce in Southern Africa.

Executive director Michelle Cohen said yesterday the chamber was no longer an exclusively SA body. Its role was to facilitate trade and investment throughout the region in a neutral manner.

Affiliation would give members "more voice with government at home and

8/10/92 3/7/92  
SHARON WOOD

abroad", Cohen said.

The US community had approached Amcham because it felt affiliation with the chamber would be a useful way of gaining greater leverage locally and regionally, and promote US trade and investment.

62 Fifteen US businesses were joining the chapter and would mount a membership drive to recruit more companies.

## Agent for US polymers

US SPECIALITY chemicals company Rohm & Haas yesterday said it had appointed SA's Lewis & Everitt to market its polymers and resins in SA. (62) ~~(112)~~

Rohm & Haas disinvested from SA in 1986. After a management buyout, the company manufacturing and marketing Rohm & Haas products was called Supacryl.

When Supacryl was purchased in January 1991 by Rohm & Haas competitor Huls of Germany, the company was limited to manufacturing Rohm & Haas acrylic emulsions. Supacryl imported and marketed other Rohm & Haas products. BIDAM 29/7/92

Because of the agreement with Lewis & Everitt, effective in October, Supacryl will no longer be able to market certain Rohm & Haas products in SA.

Supacryl finance director Tim Blankley says Rohm & Haas signed the exclusive agreement because it did not want its competitor marketing its products.

Lewis & Everitt is a division of Anglo Alpha. — AP-DJ.

# US investment in SA poised to return

By David Canning

STAR  
20/7/97

DURBAN — US investment has fallen to its lowest level since 1982 — yet there are substantial sums awaiting even the hint of an interim government, says Michelle Cohen, executive director of the American Chamber of Commerce in Southern Africa (Amcham).

Interviewed in Durban, which she visited yesterday to speak to local Amcham members, Ms Cohen said the past 10 months

had seen the US move up from fourth to second most important trading partner for South Africa.

Enormous potential existed for rebuilding trade, but greater investment hinged on resolution of violence and political problems.

She said many aid organisations were very positive about steering large sums into SA once political progress was made.

The self-funding Overseas

Private Investor Corporation was just one of the organisations keenly interested in South African projects.

The World Bank had 60 experts on South Africa and was ready to launch projects once this was feasible.

Unfortunately, however, the current wave of violence and political uncertainty had cut investment levels.

Amcham, which has more than 180 members, plans to hold a major fund-raising drive to

support the national peace accord.

As a second step, the chamber is planning to host a conference in Johannesburg on August 7 entitled "Violence in South Africa — its Causes and Effects."

It also will take a top-level delegation of SA businessmen to the US in September.

Ms Cohen said there were still 152 state and local prohibitions in place against South Africa.

## Amcham forum on peace

RAY HARTLEY

CONCERN about the lack of foreign investment in SA has prompted the American Chamber of Commerce in SA (Amcham) to convene a forum to discuss ways the business community could involve itself in the peace process. *BIDAM 30/7/92*

Amcham president Jan Pieterse said yesterday that while there was still much foreign investor interest, foreign investors were unwilling to commit capital to SA because of instability associated with violence.

"It's very much wait-and see and if the violence is not stopped this will continue," he said.

An Amcham statement said fluctuations in the value of the financial rand were evidence of investor nervousness.

Sacab economist Keith Lockwood had reported an 11,5% drop in investment spending for the first quarter of 1992 compared with the same period in 1991, the statement said.

The conference is scheduled for August 7.

## US business group plans financial boost for peace

The American Chamber of Commerce has launched a campaign to raise \$1 million for the National Peace Accord (NPA).

The chamber is calling on domestic and international businesses to donate, and hopes to raise the money by October.

Chamber executive director Michelle Cohen said the chamber felt a need for the peace process to continue.

"We're mailing invitations to about 350 companies and hope to net at least 60 (com-

panies). The first 60 companies would be founder sponsors which we hope will continue to sponsor the peace initiative." *STAR 13/8/92*

The money will be used to assist the NPA in setting up and maintaining conflict resolution structures in communities plagued by violence.

NPA official Val Pauquet said it was very encouraging to see the chamber putting its weight behind the peace accord. — Staff Reporter.



TELEPHONE call from

**A** public affairs vice-president of a Fortune 500 company to arrange a meeting for his CEO and vice-president, international affairs, is followed by a high-powered meeting often with attorneys and financial executives. The agenda is well prepared, the questions skilfully targeted.

The topic is investment or re-investment in SA. Is it worthwhile? What are the comparative merits with other countries seeking investments? Safety of investment, both from the actions of a future government and stability or lack of it in the country, are major topics. Profitability and markets — they will themselves determine.

Mostly the discussions end on an identical note, the purpose of the meeting was really to decide whether it is worthwhile sending a fact-finding team to SA. If they decide to go, one offers help in arranging meetings, but mostly major companies have their own connections and just need introductions to some political leaders.

There are also many inquiries from smaller businesses, interestingly, quite a number from African-Americans, some of whom feel opportunity exists for them particularly if they will be able to link up with black South Africans. But while many claim expertise, most have little capital.

**T**here is no shortage of inquiries, but the visits from the US are mostly the so-called notebook and not chequebook visits. Americans who return from visits to SA are enthusiastic about the country, its natural beauty and its climate. Some cynics may regard this as irrelevant to investment decisions, but it helps to create a favourable atmosphere. There is also appreciation for the financial structure, the degree of sophistication of SA's businessmen and, generally, a view that SA is a country of great investment opportunity, but only "if". The "if" is a big

# Incentives, not conditions, will lure foreign investors

BARBER 18/8/92

HARRY SCHWARZ



If South Africans will solve the political question, if stability can be assured, if there is no danger of expropriation without proper compensation, if profits can be remitted, if the taxation system is not punitive.

In former times, some would accuse a white politician speaking in an election campaign to white voters in a country town of forgetting that his words were not only heard by his small, often right-wing, audience, but were read by black South Africans, who were hurt and humiliated by some of the utterings.

So it is today with some of the members of the trade union and extra-parliamentary groupings. Their words are perhaps designed to satisfy existing and potential supporters, but are also carried across the oceans to the foreign investors whom most South Africans wish to attract, and some believe will flock to SA once a new government representing all the people is established.

A preamble to a trade union document indicating the aim is to establish a socialist SA is shown to me by a US businessman contemplating investment, asking me to explain whether the events of the former Soviet Union and eastern Europe are being ignored in my country. I try to explain that it is rhetoric and must be understood in the light of wealth, income, skills and opportunity in SA.

It is difficult to gauge if he is convinced, as he has it in print in his possession.

The call for an investment code by trade union and extra-parliamentary groups has caused something of a stir, among not only potential investors, but even some who have remained in SA. So has the support for this concept by the American allies of those groups, who are campaigning to have such codes enacted in state legislatures, and made applicable only to SA when sanctions are lifted.

only in respect of SA, and this to apply after apartheid is gone and democracy established in SA.

Why ask a US legislature to enact laws for a free democratic sovereign SA and not for Bangladesh, Lithuania, Armenia, Serbia, Korea or any other country?

It must be remembered that there are many factors affecting the spending of the US investment dollar.

Firstly, with the end of the Cold War, there has been a reaction in some quarters in the US against foreign aid and the creation of jobs in foreign countries as opposed to the US. This has been accentuated not only by the presidential and congressional elections campaigns and a flagging economy, but also by the aftermath of the Los Angeles unrest.

Secondly, there are many countries competing for investment. The former Soviet Union is anxious to attract US capital and expertise. Poland, Lithuania, Hungary, Romania and the rest of eastern Europe are all in line. In some cases the executives of major corporations have roots in these countries.

Thirdly, the Asian continent is a magnet for some investors, particularly in those countries with cheap labour.

Fourthly, every Third World country wants investments, and in many

cases offer incentives — not demands for obedience to codes.

Fifthly, there are the adjacent territories of Canada and Mexico, particularly the latter, and the concepts of free trade zones.

Sixthly, there are attractions in South America, where market-oriented economic systems are being introduced in some countries and where privatisation has taken place. Lastly, there are the traditional attractions to the western European countries where the US investor feels at home and has experience.

SA can be attractive for US investors. I have made many speeches listing the reasons and why in relative terms we are attractive, but then come the questions on political uncertainty, instability, future fiscal and other economic policies.

What we South Africans need to realise is that we need foreign investments, and that, to attract them in a competitive world, we need incentives and not unusual conditions. The investors are interested in profits and the safety of their investments and do not, with some exceptions, invest for charitable or social objectives.

**I**would like investments to be socially beneficial and help address our problems. But we live in the real competitive world, and the mere creation of jobs is a socially desirable objective. Our house needs to be orderly and attractive for foreigners to wish to invest money in it.

The judgment may be tough. But we must not base our future plans on misconceptions and wishful thinking, nor must we believe that all we need is political change and all our economic woes will disappear.

We need political change, we need an interim or transitional government urgently and a new democratic constitution. But we also need to put our economy right, or our new democracy will be in peril shortly after it is established if at least some reasonable expectations are not met.

Schwarz is SA ambassador to the US.  
 Simon Barber is on leave. His column will resume on September 8.

# ANC economist grilled in New York 62

FOREIGN investment in SA, specifically US investment, has been in the spotlight recently.

In New York, potential investors grilled the ANC's economic planning director, Trevor Manuel, on the possibility that certain American states and local authorities would continue to try to manipulate the SA economic scene through sanctions.

Although sanctions on a federal level have been abolished, many states and local authorities have been clinging to their own boycott.

At a meeting of about 100 corporate representatives organised by the National Foreign Trade Council, Manuel was peppered with questions which, in many cases, he was unable to answer satisfactorily.

*C1 Men 27/9/92*  
American companies have become very reluctant to invest in SA as a result of our high political profile in the US.

Apart from worries about SA's political instability, many representatives were concerned about the actions of politicians at state and municipal levels. They fear that these authorities will maintain their current disinvestment and selec-

tive purchasing regulations to enforce US companies to comply with certain codes of conduct.

Given the many opportunities of doing business relatively hassle-free elsewhere in the world, this would discourage them from investing in SA.

Manuel felt it was not for the ANC to prescribe to the US states and local authorities as to how they

should handle SA.

The real problem in SA today is not what the Americans think of us. What is far more serious is that business is literally grinding to a halt in many areas. This is reflected in rising unemployment and declining government revenue.

If only we can get our own businessmen to invest in the future of SA, others will surely follow.

# 'American firms drifting back' (b2)

CT 1/10/92

Own Correspondent

JOHANNESBURG. — Dozens of United States companies are quietly drifting back to South Africa, despite the violence and uncertainty about future economic policy, a report here said.

It says about 85 American companies have opened for business here since President George Bush's decision to lift federal sanctions.

"This has raised the number of US companies here to about 365," the report adds.

A US investment adviser is quoted as saying: "They come in methodically, and quietly. It is a very delicate, sensitive thing."

But the Financial Mail adds that the massacres at Boipatong and Bisho have made US firms nervous about making any commitments.

US INVESTMENT

FM 2/10/92.

# Keeping a low profile

(62) ~~74/3~~

Despite worries about the violence and future economic policies, dozens of US companies have begun doing business in SA. But, unlike their European counterparts, such as the UK's Guinness or Denmark's Lego, US firms are still reluctant to make a big splash when they emerge from the shadows because of the continuing pressure from anti-apartheid activists on the home front.

Roughly 85 US companies have taken note of President George Bush's decision to lift federal sanctions in July of last year and set up shop here. This has raised the number of US companies here to about 365, close to the largest number since the Investor Responsibility Research Center (IRRC), an independent monitoring group based in Washington, began counting 10 years ago.

In the past few weeks alone, Mars Inc agreed to let Royal Corp sell M&Ms, Snickers and its other hugely popular American brands here. Foster Grant signed a deal with a local businessman to market its upmarket sunglasses. And there are reports that Hyatt International has agreed to manage a new hotel planned for Rosebank, Johannesburg, though Hyatt, headquartered in Chicago, says it has nothing definite to announce.

"They come in methodically and quietly," says an American who deals with potential foreign investors. "It's a very delicate, sensitive thing."

Most of the American companies are small, low-profile operations that have found niche markets and do not cater for the mass consumer market. And most are taking the first step with non-equity links — distributorships, franchises and other trading arrangements. But in the past year, six companies have gone ahead with direct investments, including software giants Lotus and WordPerfect.

## ANC visit

Nevertheless, many more companies are testing the waters than are taking the plunge. Rumours abound that Pepsi, McDonald's, Apple Computers and other heavyweights are eyeing the local market. US officials in SA say they receive a constant procession of visitors from *Fortune 500* companies and banks, but the massacres at Boipatong and Bisho have made them nervous about making any commitments. Ambassador Harry Schwarz, SA's representative in Washington, calls them "notebook and not chequebook visits."

Most of these companies make sure to visit the ANC offices to get the go-ahead for projects or to grease the wheels for business dealings.

When Lotus called at Shell House, the ANC offered to become the local distributor

itself, the IRRC reported. But the company, which had maintained a much-publicised policy of not doing business with SA or servicing equipment already in the country, declined the offer. It picked its own representative and opened an office in Sandton.

Despite the increased respectability of doing business in SA — for one thing, shareholder resolutions no longer urge companies to get out of SA, only to refrain from increasing investment — companies are still wary of getting a black eye. One sign of the skittishness: two companies that had invested in the past year have since pulled out — after they found themselves on the IRRC's list of SA

apartheid pressure is the sanctions that restrict local governments from doing business with companies involved in SA. At least 27 states and territories, 105 cities and 32 counties still have sanctions, according to the IRRC. Only two — the state of Oregon and Fairfax County, Virginia — have repealed their laws. But three cities — Baltimore in Maryland, Hartford in Connecticut, and Kansas City in Missouri, have gone in the opposite direction and introduced sanctions since last year.

These local laws are expected to stay in place at least until an interim government is formed and ANC president Nelson Mandela

gives the go-ahead. They will probably remain, however, for a long time after that. There are still six localities with sanctions against Namibia, almost three years after its election.

Sanctions are not the only thing scaring off US investors. Heinz, the Pittsburgh-based food giant, reportedly cancelled a deal with Foodcorp (formerly Fedfood/Kanhym) in June, soon after the ANC announced its economic policy guidelines, which don't rule out nationalisation.

"It's evident that a lot of companies still aren't ready," says Alison Cooper, an analyst with the IRRC. "The continuing high levels of violence, combined with the uncertainty about SA's future political and economic system, add up to an unacceptably high

level of risk."

On top of this, another deterrent looms on the horizon. Anti-apartheid activists have started lobbying states and cities to convert their sanctions laws into ANC- or Cosatu-approved investment codes or laws outlining codes of conduct after an interim government takes over, instead of just dropping sanctions and letting US companies invest here unimpeded.

The Cosatu code for multinationals, which the ANC-aligned trade union group adopted at its economic policy conference in March, calls for affirmative action and social responsibility programmes that the trade unions will help design. Unions would also have the right to strike without dismissal and picket on company premises, while management will have to guarantee that they won't use strike-breakers, retaliatory lock-outs or interdicts against strikers.

The ANC's economic policy guidelines, released in May, say foreign investors may find themselves faced with "limitations on domestic borrowing or on foreign ownership



investors.

The Seattle-based aircraft manufacturer Boeing put two employees in SA in January and in May agreed to support the Statement of Principles, the successor to the Sullivan Principles of conduct for US multinationals. By August, the company told the IRRC it would be pulling out.

A French subsidiary of Emerson Electric, a Missouri-based electronics corporation, opened a sales office with 12 employees in Johannesburg last year. When its name was listed by the IRRC, Emerson told the French subsidiary to dump the SA operation.

Perhaps these companies saw what happened to American Cyanamid. In January, a choir from a Catholic primary school performed outside its New Jersey headquarters as the company was inducted into the "Corporate Hall of Shame" for its dealings with SA, among other sins.

"American Cyanamid is a stellar example of how not to do business in SA," said former presidential candidate Jesse Jackson.

One of the most enduring signs of anti-

P.T.O

# Disinvestment over, but US firms 'still shun SA'

14/10/92  
B10/11  
THE wave of US disinvestment has practically stopped since ANC president Nelson Mandela's release from prison in February 1990, but US companies seem in no hurry to reinvest in SA, local financial analysts say.

More than 200 companies had pulled out over the past decade, and there has been no new investment since President George Bush lifted the Comprehensive Anti-Apartheid Act of 1986.

The analysts believe economics, politics and the "nationalisation" threat have kept Americans at bay.

US assets in SA have been reduced by almost two-thirds, from \$2.6bn in 1981 to \$889m. There are currently 105 US companies which maintain direct investment or employees in SA.

Foodcorp group CE Dirk Jacobs said Americans were more cautious towards SA than their European counterparts. "Europeans are more relaxed about investing, their decisions being based on pure economics, risk versus reward."

He said economics as well as emotions over the present political situation tended to influence US decision-making. Sanctions imposed by individual states had also curbed potential US investment.

However, if an interim government came into power, many states would give US companies the green light to enter the

SA market. Analysts said food giant Heinz had been hoping for just that when Codesa talks collapsed and hopes for an interim government in May, as well as a signed deal with Foodcorp, were dashed.

Jacobs said the risk:reward ratio was unbalanced at the moment. "An American company which took the decision to enter SA despite moral suasion could stand to lose US market share, which would be costly and more than any benefit it would derive from its SA investment."

Market research and consultant firm World Information Network director Neil Kaufman said a lack of business confidence was a major problem for foreign investors. "International clients want to come into SA because there is a growing market and tremendous potential yet we must get our house in order first."

He said foreign investors had identified the homelands as the biggest potential growth areas as they "believe they can benefit from the more decentralised structure as well as from other financial and trade benefits".

Meanwhile, said Jacobs, "US companies are doing their homework, looking for the best partners and vehicles in SA in preparation for the go-ahead".

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MEREDITH JENSEN

## COMPANIES

### Engen teams up with Chevron

WINDHOEK — Chevron of the US and Engen yesterday signed an agreement with the Namibian government to begin offshore petroleum exploration.

This is the fourth oil exploration licence Namibia has granted this year.

The consortium, 60% Chevron Overseas (Namibia) and 40% Engen through its subsidiary Eagle Energy (Namibia), is to spend about R55m and drill two test wells during the first four-year period.

Chevron Corporation vice-president Richard Matzke, who signed the agreement on behalf of his company, said seismic work was to begin within the next few weeks and Chevron would open a Windhoek office before the end of the year.

The 10 850km<sup>2</sup> exploration area, block 2 815, is off the southern Namibian coast adjacent to the Kudu gasfield Chevron discovered in 1974.

The consortium is also to spend about R550 000 on training Namibians each year of the contract.

Matzke paid tribute to the agreement negotiators in the Namibian government.

"What you have done is sent an unmistakable message to the whole world that Namibia is a good place in which to invest," he said.

Chairman Bernard Smith signed the agreement for Engen.

Namibian Mines and Energy Minister Andimba Toivo ya Toivo said his government attached great importance to the presence of Chevron and Engen in Namibia because of the long-standing historical bond between the parties and with Africa in general.

"Now, more than ever, it is vital that we maintain and develop these links to our mutual benefit," he said.

Chevron also has interests in Nigeria, Congo, Zaire and Angola.

Namibia has granted exploration licences to a Norwegian consortium, a Canadian-British consortium, and Sasol. — Sapa.

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# IBM launches cut-price range

8/10/92 22/10/92

Reports by  
MELANIE SERGEANT

**BÜCKLING** under pressure from other PC manufacturers, IBM yesterday announced a range of cut-price PCs designed to re-establish the corporation's position in the highly competitive PC industry.

Although the extensive roll-out of new products at highly competitive prices is expected to make IBM machines less expensive than branded clones in other markets, local competitors believe SA pricing will see the systems retail for prices equal to or slightly above those from manufacturers like AST, Acer and Compaq. Much depends, however, on how dealer margins are structured.

IBM's new thrust is backed by the formation of the IBM Personal Computer Company which aims to reposition itself as "Baby Blue", away from the "Big Blue" monolith parent company, allowing it more freedom, flexibility and faster response to market needs.

The announcement mirrors that of Compaq earlier this year. Compaq also rolled out its largest range of new machines, with this being followed by launches and price cuts by a number of other vendors such as Hewlett-Packard.

Market demands for new brands are being addressed through the launch of four different ranges, spanning entry-level systems to high-end 486 workstations. New microchannel architecture (MCA) systems and industry standard architecture (ISA) products are in the lineup. Industry sources say the ISA product move underlines IBM's backtracking from its much-heralded MCA systems.

Products catering for "super servers" in networks as well as entries in the notebook and laptop markets were also announced, along

with new software products in the operating system and networking arena.

Early indications of local prices show the new systems will still cost slightly more than other branded clone PCs, says Spartan Computers technical director Mike Hamilton. "However, the systems are well-priced, and we expect sales to be good."

One source queries the sense behind launching the PS/1 80286 chip based systems, since most manufacturers stopped making machines based on 286 technology. ISM says the 286 is ideal for homes and schools, while some models can be expanded to suit businesses at the entry level.

Another query was placed on the three-year parts, one-year labour warranties, with one competitor saying this would be difficult to administer.

Compaq local distributor Tarsus Technologies' Guy Whitcroft believes the bundling of OS/2 on systems could build up user resentment because many users would not like to pay for software which they do not need; most users would prefer DOS and Windows alone, he says.

Hamilton says the announcement makes IBM products more competitive from the viewpoint of pricing, extra functions and the fact that a wider range is now available.

"IBM is responding to market requirements. Products are split into four areas — Premier for MCA, ValuePoint for PC-AT industry standard architecture machines, the laptops and notebooks which are well positioned, as well as

the PS/1 entry level products. "ISM is aiming to increase its market share in SA by 100% over the next year, and we believe the new products will allow this," says Hamilton.

HiPerformance Systems PC marketing manager Marc Andrews says IBM has been losing market share to branded clones.

"We recently did a corporate survey of 30 large buyers and found a major swing towards the low-cost, branded clone PCs. This is because prices of quality branded clones have decreased so rapidly over recent months, making them only marginally more expensive than no-name clones."

He says that although many companies will still buy IBM PC products, the fierce competition in the market could make it difficult for the machines to make major market share gains in SA.

This week's product announcement comes on the back of IBM's reporting from the US on Tuesday of a net loss, after charges for the third quarter, of \$2,778m.

Hardware sales in the quarter fell 9.9% to \$7bn, with the company blaming economic weakness in Europe, Japan and the US. Sustained price pressure in its mainstay hardware lines, particularly in PCs, was also blamed.

A Computergram report said revenue from software sales rose 11.3% to \$2,7bn and maintenance revenue increased 7.1%, while service revenue soared 38% to \$1.8bn, showing that "all the pain was in the hardware side".

The report said IBM looked doomed to make another loss for the year unless it enjoyed an outstanding fourth quarter.

## INFORMATION TECHNOLOGY

### Sales difficult to predict, says report

A NEW report from US-based Salomon Brothers confirms the difficulty of predicting performance of PC sales. Advising shareholders to buy Compaq shares, the report said although earnings were expected to improve over the next two to three quarters, after that the industry environment "remains the wild card". While they were continuing to track the industry closely, the analysis said the "tone will remain fluid and tumultuous."

"We believe that the industry is only at the beginning of a consolidation phase, pointing to a several-year cycle which suggests that investors in PC stocks should remain nimble and flexible." *BIDM 22/10/92*

The report said Compaq would emerge as one of the few leaders, but getting there or staying there could be difficult.

On Tuesday, Compaq reported record sales for its third quarter ending September 30. At \$1,067bn, sales were 50% above those for the same quarter last year.

Net income was \$49m compared with a net loss of \$70m in the same quarter in 1991.

The company shipped more than 200 000 PCs in September alone, and entered the fourth quarter with a sizeable backlog.

Areas where sales were particularly strong included North America and Europe, the latter despite some expectations of economic slowdown in European markets.

Compaq president and CEO Eckhard Pfeiffer said sales to SA in the third quarter had increased eightfold compared with the same period last year, and September unit shipments had been 11 times higher than in September 1991.

"Compaq believes it can hold a leading market position in SA, similar to the one we have in Europe and the US," he said.

### SA companies out in force at Botswana expo

*BIDM 22/10/92*

IN A BID to increase regional export revenues, SA companies came out in force at the Aitec South computer and communications exposition last week in Gaborone.

Companies with SA affiliations at the show included Knowledge Systems Botswana with Oracle relational database management software, and Q Data Botswana. Both recently formed, they said their main objective was to reinforce their presence in the market.

Q Data Botswana's director Howard Musonko said his company was already handling a major system for Botswana's water utilities, and a number of new projects were being motivated within the government sector.

Like it is doing worldwide, Siemens (Botswana) was promoting the Global Systems Mobile cellular telecommunications network. Technical manager Paul McKibbin said a pan sub-saharan African system was the aim.

The company also showed its optical fibre distributed concentrator, designed in SA for rural applications.

Botswana seemed keen to install a cellular network, with the contention being whether it should install analogue or digital-based systems, said McKibbin.

He contended that analogue systems were susceptible to being outdated.

Cellstar MD Ian Fairman was promoting analogue cellular systems, saying these were more appropriate for providing low-cost telecommunications systems. Also eyeing the African market was US-

*BIDM 22/10/92*

based Nynex/dpi, which designs software to handle telecommunications systems. The company owns the New York Telephone Company, and has its systems running exchanges in about 300 countries from Mexico to the UK and Gibraltar.

International sales manager Angelo Sanchez said Africa was ideally placed to leapfrog more established technologies and install the latest systems available.

The company has chosen IBM vendor in Botswana Business Computers to sell and support its products, as the software runs on IBM AS/400 hardware.

He was hopeful that Nynex would win a R3m order for the software in Botswana, but local sources were better placed to win the tender which would be adjudicated before year-end.

New developments at the show included the recent decision by SA-based HiPerformance Systems to select Century Office Supplies to distribute its HP printers and peripherals.

Century's M R Narayan said his company was on the look out for distributorships. Computers Botswana, on the other hand, landed the Panasonic distributorship a week before the show.

SA-based Futurus Computer MD Bert Oosthuizen said his company was negotiating for an agent in Botswana. Pink Software's Michael Tatalias was also on the lookout for a local distributor, saying that as the market for PCs in Botswana grew, so did that for low-cost software products.

### Firms unite to standardise





# British investors 'lining up', says returning envoy

ARG 31/8/92 (b)

## The Argus Foreign Service

LONDON. — British investors are lining up to pour vast sums of money into South Africa, but they will not commit themselves until they are assured of profitability and a secure environment.

That is the message being brought back to South Africa today by Mr Issy Pinshaw, a member of the State President's Council and former president of Assocom, who left London last night.

Mr Pinshaw has been on a private visit to the United Kingdom, during which he has held extensive talks with businessmen, financiers and government officials.

Before boarding a Johannesburg flight last night, Mr Pinshaw spoke of "a fund of goodwill and understanding" in government and business circles.

"They want to see negotiations and they want us to get together as soon as possible and agree to a lasting settlement."

Mr Pinshaw told officials from the Foreign Office, the Home Office and the Confederation of British Industry that foreign investment was needed if there was to be "a breakthrough in South Africa's growth rate and in creating much-needed employment opportunities and for the socio-economic upliftment of all the people".

He said the increasing normalisation of relations between Britain and South Africa "clearly indicates to British businessmen that the political obstacles of the past that hindered their economic involvement have now been removed or are in the final throes of removal".

Throughout his discussions, Mr Pinshaw emphasised that the political solution that was at hand was not enough. What South Africa needed was an economic solution at the same time, and it was here that British investors and industrialists could play a major role.

In turn, they pointed out that the two crucial elements being closely monitored by potential British investors were the internal security situation and the lack of confidence.

"The ongoing violence and low domestic investment levels in South Africa are proving a deterrent to British investment. They are biding their time and adopting a wait-and-see attitude before committing themselves.

"The message from Britain is loud and clear. British investors will consider investing in South Africa on a comprehensive scale only if their investments are profitable and if they can operate in a secure and safe environment."

● British pop singer-turned actor-turned investment adviser Adam Faith is urging readers of his newspaper column to invest in South Africa.

He wrote yesterday: If it's left alone to sort out its problems, South Africa has all it needs to be fabulously successful — whoever runs it. All its people have to do is keep their heads — and work together.

"It is an emerging market. And if you believe, as I do, that it will emerge and prosper, there are big rewards for investors."

And Faith's tips for a financial killing? The Premier Group and South African Breweries.

# Defence closures add to Telemetrix losses

TELEMETRIX, the UK-based electronics group listed in Johannesburg and London, has reported an attributable loss of £1.4m after incurring exceptional costs of £2.9m related to provisions for the closure of certain loss-making operations.

Chairman Arthur Walsh said future results would benefit from the elimination of loss-making activities. Increasing attention was being given to core businesses, particularly those related to the communications market.

The comparative results for the previous half-year period were restated to take into account the consolidation of the results of certain Zimbabwean interests previously accounted for on a dividend remitted basis.

Turnover advanced 12% to £46.8m (£41.7m) and operating profits jumped 29% to £3.9m (£3m).

## Defence

Exceptional costs of £2.9m were taken above the line — in line with UK accounting standards — and operating profit fell to £949 000 from £3m.

Walsh said £2.3m of the exceptional costs related to a decision to close businesses in the defence industry. The decision was in accordance with worldwide practice where defence business had deteriorated to unprofitable levels.

Interest and tax payments and minority interests absorbed £2.3m and Telemetrix recorded a loss £1.4m (£1.1m), equivalent to a loss of 1.6p a share compared with earnings of 1.3p a share last year. Had the exceptional items been taken below the line, the company would have reported

## DUMA GOUBULE

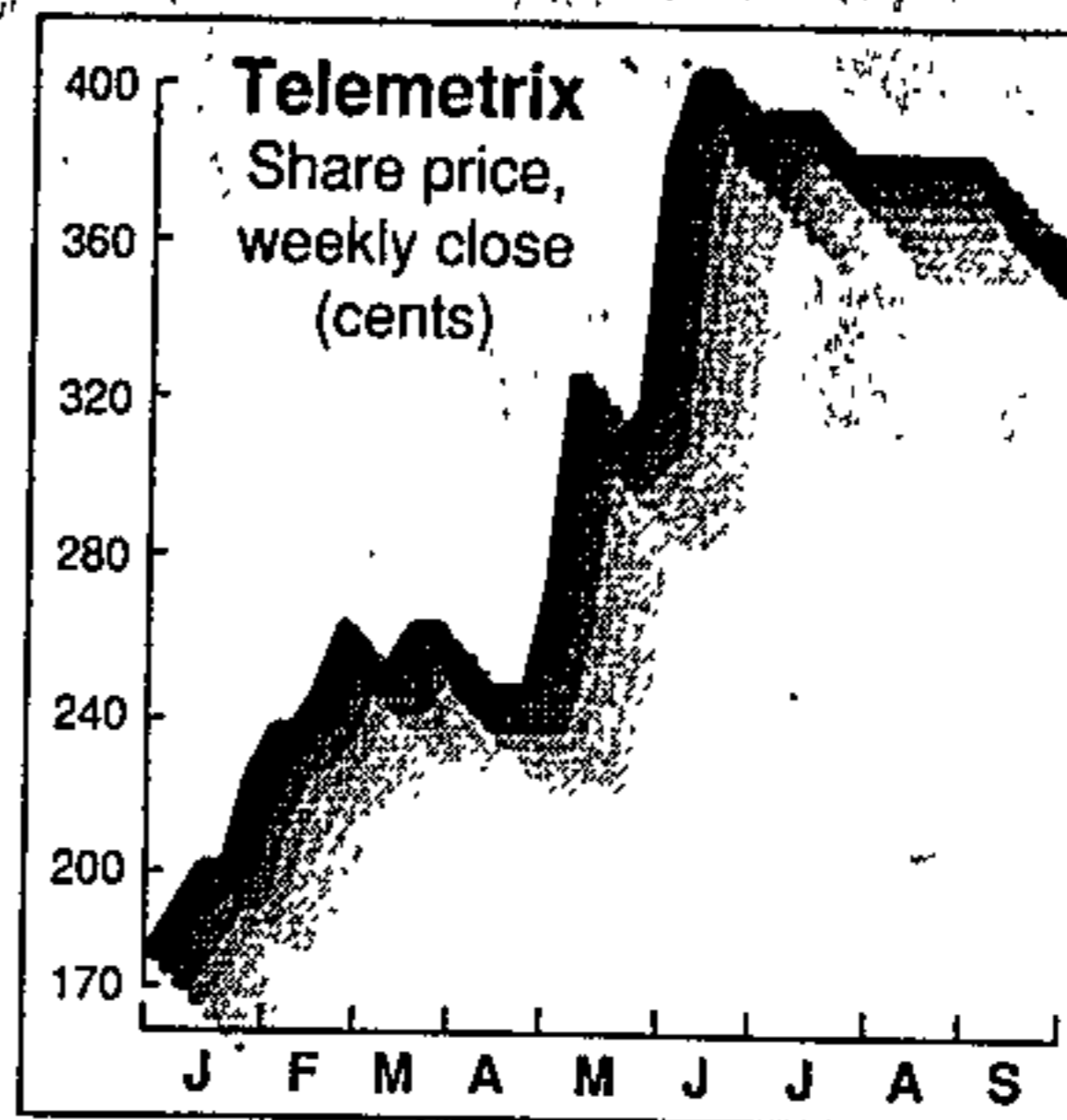
improved earnings of 1.7p a share.

Walsh said GTI, Telemetrix's US-based computer networking subsidiary, had increased revenues to £27.7m from £20.7m. Semiconductor manufacturer, Zetex, had grown in all markets, particularly in the Far East, but the devaluation of the Zimbabwean dollar had resulted in lower sterling sales for two subsidiaries there.

SA company Altron has a 7% stake in Telemetrix and is represented on the board by deputy chairman Charles Stride and Altech chairman Don Snedden.

Altron chairman Bill Venter holds 49% of the company's shares while SA shareholders hold another 16% after it was listed on the JSE last November.

Telemetrix's shares have risen to 380c from 165c last year.



Graphic: RUBY-GAY MARTIN Source: I-NET

## GM to cut (61) workforce (17)

DETROIT — General Motors and the United Autoworkers Union were negotiating a deal to offer thousands of GM blue-collar workers special incentives to leave the company, the Wall Street Journal reported on Friday.

The talks come at a time when GM executives face growing pressure from outside directors and big shareholders to accelerate cost-cutting efforts in the face of continuing losses. GM has said it wants to shed 54 000 hourly jobs by the end of 1994. *BOA*

A sweetened blue-collar early retirement programme could allow GM to hit that target much sooner, while sidestepping a costly fight with the union. A similar programme worked out with the union's co-operation in early 1991 resulted in 20 000 hourly workers leaving. *19/10/92*

Final details of the latest proposals are still being worked out. But union officials said they expected GM would offer early retirement incentives to hourly workers who were 50 years of age and had 10 or more years of service. One major incentive was expected to be a waiver of rules that cut pension payments to employees who took post-retirement jobs.

GM is expected to begin the buyout programme after the November 3 presidential election. — AP-DJ.

# Liquidated KPL-Etsa to sue De Beers

BRITISH-held electrical and instrumentation group KPL-Etsa has been placed in provisional liquidation after its liabilities exceeded its assets by R45-million.

It has already lodged a R19-million claim against De Beers to recover some of its losses, and other major groups may also face legal action.

KPL-Etsa was controlled by British group BICC and its subsidiary Balfour Beatty via the Riverbank Trust in Guernsey, Channel Islands. The British parent disinvested its direct interests at the end of 1987 for political reasons, but still made KPL's top management appointments.

Over the past few years, KPL-Etsa's turnover averaged around R100-million a year. Up until January this year, it employed close to 1 000 people, but by the end of September it had just 284 staff members.

According to provisional liquidator Philip Reynolds, a director at Ernst & Young, KPL's auditors Arthur Andersen wrote a letter to its directors regarding a material irregularity in April this year when the losses, which re-

dered the company insolvent, were discovered. The directors made an arrangement with First National Bank, the largest creditor (owed R22-million), and its British shareholders (owed R2-million), to capitalise about R17,5-million of their claims.

This arrangement apparently satisfied the auditors with regard to restoring KPL-Etsa's solvency.

Certain irate creditors are, however, not satisfied. They have advised Business Times they intend suing FNB for their losses. They have instructed Reynolds to inquire

into both the bank's and the auditors' possible negligence in this regard.

KPL-Etsa's claim against De Beers results from losses suffered on a contract at the Venetia Mine. The company quoted R11,7-million to do the job, but completed it at a cost of R31-million.

KPL-Etsa's financial director, who did not wish to be named, says the group faced a six-month delay because other principal contractors failed to complete their work before specified deadlines, and because of escalating costs.

The liquidators are also taking legal advice to decide on action against Eskom and Anglo American Properties. Both unilaterally cancelled KPL-Etsa's contracts after it was provisionally liquidated on September 30.

## Cancelled

One electrical project at Eskom's Kendal power station had about a year left to run and would have brought in a further R7-million. Three smaller air-conditioning contracts at Kendal were also cancelled.

LTA initially showed signs of wanting to buy all interests of the company, but is now believed to be interested only in the overhead transmission line subsidiary.

A creditors' committee has been formed and a detailed report will be sent to KPL-Etsa's 900 creditors this week.

# Merchant bank strikes investment deal

LONDON-based merchant bank Chartered WestLB announced yesterday it had acquired a 15% stake in local merchant bank Durolink, with an option to increase its holdings to 50% within the next two years.

The financial terms of the deal were undisclosed, though a Durolink executive described the figure as a "significant sum".

Chartered WestLB deputy chief executive David Gemmill said the two companies would specialise in structuring deals for SA corporations looking to invest outside the country.

Gemmill said the banks also hoped to consolidate deals with European and South

~~SECRET~~ MEREDITH JENSEN (61)

American, as well as other foreign-owned, companies looking to invest in SA. "We anticipate two or three deals a year coming out of SA at an estimated \$100m apiece. Incoming deals may be smaller than the outgoing deals for the moment."

Durolink MD Mike Bolton said the company had been looking for an international partner to help develop its cross-border mergers and acquisitions business.

"We have found a partner who wants to make a positive contribution and, if down

To Page 2

## Durolink

the road capital becomes an issue, then they will be here," Bolton said.

Gemmill said the flow of trade and dividends back into SA would be highly beneficial to the country and expressed positive sentiment about SA's future.

Gemmill said while there had been concern about the political situation the consensus was that issues would be resolved.

"As countries emerge from political change there is a need to restructure and

investment bankers have an important role to play in that restructuring."

Gemmill said it was important for Chartered WestLB to have a matrix of offices, relationships and investments in the world's financial centres.

"This region will continue to be very important for our business," he said.

Chartered WestLB is jointly owned by Standard Chartered Bank and WestLB Europa, and operates primarily in Africa, Europe and the Far East.

From Page 1

~~SECRET~~ (61)

BIPM 28/10/92



# Democrats offer more stick, less carrot for SA

B/DAY 5/11/93

LLOYD COUTTS

THE Clinton administration in the US would withhold investment and economic aid for SA until an interim government was in place, the American Chamber of Commerce (Amcham) and Sacob said in Johannesburg yesterday.

Both organisations said the new administration, which takes office on January 20, was unlikely to encourage the lifting of embargoes imposed on SA by US cities and states.

Academics interviewed by Sapa warned that Clinton could ensure SA did not get access to IMF support until a black government was in place.

Amcham executive director Michelle

Cohen said that, while Clinton's victory would not fundamentally change US policy towards SA, his Democratic Party had committed itself to an SA-American enterprise fund once an interim government had been constituted.

"The Democrats are unlikely to lift the remaining trade and local sanctions. However, it is possible that they will be more forceful about a timeframe for change and will push for more peacekeeping efforts."

President F W de Klerk would be pressured to establish an interim government

and once this had been achieved a US programme of investment was likely to be implemented, she said.

Cohen said it was unlikely that Clinton would try to reintroduce sanctions which had been lifted by the Bush administration.

In its reaction to the US presidential elections, Sacob said Clinton would have other key priorities, but that his party was likely to take a tougher stance on the need for political progress in SA.

"The remaining US sanctions at state and city level may take longer to be phased out and there may be an insistence on their replacement by stringent investment codes."

## Ruling too late for port

SIMON BARBER

WASHINGTON — An appeals court has rejected an attempt to bar the Port of San Francisco from handling ships operated by firms with SA ties. *BDM*

The court ruled that the Federal Shipping Act, which forbids terminal operators to discriminate between shipping lines, superseded San Francisco's anti-apartheid ordinance.

The case arose two years ago when Nedlloyd Lines BV, a Dutch concern with an SA subsidiary, decided to use San Francisco as a trans-shipment hub in a deal worth \$2m a year to the port authority. *|||||92*

The National Lawyers Guild sued to block the deal, arguing that the Shipping Act was not intended to stop local governments pursuing their own policies.

However, the Californian State Court of Appeals ruling came too late for San Francisco to keep Nedlloyd's business.

# Guide unveiled for US investors

BIDM 16/11/92  
NEW YORK — The ANC and Co-satu have unveiled a set of "interim" foreign investment guidelines which they want US campaigners to help enforce until a new government is in a position to legislate a code of its own.

The guidelines, released at a conference of ANC solidarity groups at the weekend, would go into effect once power had been transferred to a "national unity" executive.

In stressing that new investment "should enhance employment creation", they represent the ANC's first formal attempt to discriminate between types of investment.

ANC economic planning chief Trevor Manuel said he hoped the transitional authority would be in place by next April.

Manuel said he envisaged US state and local governments replacing their sanctions laws with language binding US companies to the code.

Don Mkhwanazi, co-ordinator of the ANC's trade and investment group, said the guidelines would bridge the gap between new investment flowing into the country and the ANC having the power to legislate its own regulations.

The guidelines are broad, and not especially onerous compared with the statement of principles and the similar State Department code American companies currently have to comply with under residual clauses of the Comprehensive Anti-Apartheid Act.

62  
SIMON BARBER

Investors should be willing to recognise workers' rights, provide equality of opportunity, be environmentally sensitive and offer "conditions of work and life" that "compare favourably with the best ..."

They are asked also to provide training and education for black workers and a degree of job security, and to "adopt business practices which enhance the development of black business".

US companies are less concerned by the content of SA investment rules than by the way US campaigners might seek to enforce them.

If investment in post-apartheid SA entails bureaucratic and political hassles at home, many executives insist they will shun the country.

However, a senior World Bank official at the conference predicted that once an ANC government was in power, it would be so anxious to create employment that the investment code question would become moot.

A more serious deterrent for US companies might be the SA-American Business Council, established in October by TransAfrica director Randall Robinson and ANC US lobbyist, former congressman Walter Fauntroy.

The possibility that Robinson and his allies will seek to act as officially-appointed gatekeepers once the sanctions era is over is a prospect many investors find intolerable.



**T**HE politically correct wing of the American parasite class went into conclave at New York's Riverside Church over the weekend to consider how it could continue feeding on SA now that the sanctions era is coming to a close.

The ANC, which called the gathering and sent about 50 of its officials to brief it, seemed only too happy to oblige. Even now, with all the power and resources of the state within its grasp, the movement lacks the confidence to believe it can operate without them.

To be sure, the new SA will need all the outside help it can get. If groups like TransAfrica, the Interfaith Centre on Corporate Responsibility and the American Committee on Africa can rejig their activism away from sanctions towards generating real inflows of capital and development assistance — as ANC president Nelson Mandela asked them to do in a videotaped message — it would be churlish to criticise.

Unfortunately, most have another agenda. Themselves. They are in the game to sate their own appetites. The ANC is merely at the head of the queue for whatever crumbs they may brush from their table.

**T**his is a ferocious judgment. But it can be documented. Furthermore, many in the ANC know it to be true, having witnessed the scandalous siphoning off of funds Mandela raised during his 1990 tour here. Sadly, they seem resigned to letting the travesty continue, at the expense not only of their dignity, but of their sovereignty.

Last October, TransAfrica's Randall Robinson convinced Mandela to sign a "memorandum of understanding" endorsing the creation of an entity called the SA-American Business Council (SAABC). Its purpose: "To foster a closer working relationship in the areas of business and economic development between dispossessed South Africans and African Americans."

This sounds reasonable. But the kicker comes a few paragraphs later, where it is stated that one of the

# ANC's American allies queue up to sponge off new SA

17/11/92  
SIMON BARBER in Washington

SAABC's principal functions will be to "review investment and business proposals from US corporations planning to locate or relocate in the New SA in order to assure that appropriate affirmative action guidelines are adhered to and respected".

In short, Robinson the sanctioneer is to become Robinson the gatekeeper. Having helped force scores of US corporations out of SA, he now proposes to dictate who shall be allowed to re-enter once an interim government is in place. He is joined in this endeavour by former congressman Walter Fauntroy, the ANC's US lobbyist, who seems to have taken the movement for a \$230 000 ride on a promise to raise millions for the Mandela Freedom Fund.

There is no mystery about the use to which the SAABC intends to put its ANC-granted shakedown licence. The idea is simple, and none of those involved has made any attempt to conceal it. It is to ensure that Robinson and his associates reap, as compensation for their supposedly leading role in the anti-apartheid struggle, a "fair" share of whatever profits are to be generated from post-apartheid reconstruction.

Harlem International Trade Centre Corp president Gene Norman puts the case thus: "As emerging democracies come into being, they get a lot of emotional, cultural and other

support from African Americans, but not much in return. A new SA government must encourage and include us in their development plans."

The "programme of action" developed at the conference goes further. It explicitly calls for "a definitive policy statement by the democratic forces in SA that will serve as an invitation for direct involvement by the African-American business community, including such mechanisms as set-aside programmes for African-American business".

In other words, an ANC government will be expected to adopt affirmative action policies not only for its goods and services, it will be pressed to grant a specific percentage of contracts to wealthy Americans who like to call themselves members of "the African diaspora".

It might be understandable if the ANC were to decide, of its own volition, to throw a little business in the way of its foreign supporters once it had the opportunity to do so. But the Riverside statement is couched as a bald-faced demand. It is an insult to the millions of South Africans who have suffered and died for the right

to govern themselves. It is effrontery on a cosmic scale, yet the ANC raises not one word of protest. One can only wonder what someone like Steve Biko would have thought.

Such behaviour on the part of people like Fauntroy and Robinson renders their motives suspect even when they propound seemingly sensible initiatives.

One such is the creation of a US-government financed enterprise fund for SA, modelled on funds established by Congress for post-communist Poland and Hungary. The concept is straightforward. A private investment company is established, with an independent board of directors drawn from the US and the beneficiary country. Initial finance is provided by the US Treasury.

The Polish fund, launched in May 1990, was capitalised at around \$245m, but it is also permitted to raise further finance from private sources. Through individual investments ranging from \$3 000 to \$15m, it is helping finance about 1 400 small- to medium-sized enterprises, all selected using solid business criteria. It has also capitalised Poland's first private mortgage bank to provide loans to residential developers and mortgages to home buyers.

Legislation that would grant \$240m to a similar fund for post-apartheid SA was introduced last

April by Congressman Mervyn Dymally, the retiring chairman of the House Africa Subcommittee, at Fauntroy's urging. It has gone nowhere, prompting Fauntroy and others to cry racism.

This ignores a couple of points. First, the Polish and Hungarian funds were established after the countries had governments committed to free-market reform. SA's political and economic future has yet to be determined. Second, supporters of the east European funds were able to make a serious case that the US taxpayers' capital would be soundly managed and efficiently absorbed.

Unfortunately, the advocacy of Fauntroy and his colleagues has not inspired similar confidence. To begin with, there is Fauntroy's own rhetoric. Judicious is not a word that springs to mind. He does not talk about dreary things like risk and return on assets, but about getting his hands on "other people's money" — or OPM, as he likes to call it.

"Give us the money," he cried at the Riverside conference. "We know what to do with it." He then explained he would invest in the ANC/Cosatu Media Project's Press trust so that he "can get the ANC the means to communicate with its people before the election" for a constituent assembly. In short, he would use the fund for political purposes rather than to stimulate economic growth.

**S**econdly, the proposal is couched in overtly racial terms: membership of the SA fund's board would be restricted to black South Africans and African-Americans. Inclusion of the former is fair enough, so long as it is on a non-partisan basis. Not so giving a monopoly to the latter.

The Polish fund does not limit board membership to Polish-Americans. And even if it did, that would in no way justify the Fauntroy position. The relationship between Polish-Americans and Poland is somewhat more direct than that between African-Americans and SA.

Not, however, in the view of Fauntroy, Robinson, Dymally et al. They evidently believe that SA is theirs. Theirs for the taking.

Blom 17/11/92

# Call to give black US business a special deal

(b2)

WASHINGTON — US anti-apartheid leaders are demanding special treatment for African-American businessmen if and when an ANC government takes power.

The call is part of a "programme of action" adopted by a national conference of pro-ANC campaigners held in New York at the weekend.

The document says that the ANC must be pressed to adopt "set-aside" programmes modelled on US affirmative action policies to reserve government procurement contracts and other business opportunities for black Americans.

The conference also vowed to lobby Congress and the Clinton administration to capitalise a \$240m "South African-American Enterprise Fund".

Headed by African-Americans, the fund would invest in black South African business ventures, including the ANC/Cosatu Media Project to acquire newspaper, television and radio outlets for the "democratic forces".

In addition, African-American campaigners and businessmen have obtained ANC president Nelson Mandela's signature to set up a council that will be authorised to veto all new

SIMON BARBER

US investment in SA once the ANC has called for the removal of remaining sanctions.

ANC trade and investment group director Don Mkhwanazi endorsed giving African-Americans special treatment. "Having been at the forefront of the struggle, they must be rewarded. We don't want those who did not support us to benefit."

National Sorghum Breweries executive director Israel Skosana sounded uneasy about the proposed bias towards African-American business. "We need to be creating wealth," he stressed. And while those African-American entrepreneurs who had relevant expertise would be welcomed, "we need to be cautious. Companies that come must be prepared to listen."

Harriet Michel, president of the National Minority Supplier Development Council, a group that helps black business attain procurement contracts, warned that "an African government does not necessarily mean greater opportunity for African Americans".

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The ANC, which called the gathering and sent about 50 of its officials to brief it, seemed only too happy to oblige. Even now, with all the power and resources of the state within its grasp, the movement lacks the confidence to believe it can operate without them.

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In other words, an ANC government will be expected to adopt affirmative action policies not only for its domestic constituency. In procuring goods and services, it will be pressed to grant a specific percentage of contracts to wealthy Americans who like to call themselves members of "the African diaspora".

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# Why does a profit motive sound so repellent?

B/DAY 23/11/92

**LOREN BRAITHWAITE and  
BERTRAM LEE in New York**

ONE OF the highlights of this month's highly successful National Conference in Support of the ANC and Other Democratic Forces for a New SA was the widely attended workshop focusing on investment policies and economic development in a future SA.

Representatives from the US state department, large US corporations including Ford, Apple and Honeywell, investment banks and minority businesses, among others, listened as ANC international affairs head Thabo Mbeki, economic planning department head Trevor Manuel and a delegation of white and black SA business leaders discussed topics including investment opportunities, corporate responsibility and developing ties with the African American business community.

It must be indicative of the ANC's success in examining the issues in a sound and prudent manner that Simon Barber could find nothing to attack except the fact that the ANC's "allies" in the US were lining up to do business once an interim government was in place.

In "ANC's American allies queue up to sponge off new SA" (Business Day, November 17), Barber made it seem as though US "parasites" were lining up to sate themselves on the spoils of a democratic SA. In the past, Barber and others at Business Day have opposed economic sanctions. It is difficult to understand why, when international businesses are contem-

conference does promote the affirmative inclusion of US black businesses and products in our own US government-funded programmes and it does promote certain standards of conduct by US businesses in SA. The conference was held in the US where it is hardly revolutionary to tie public spending to social objectives and to expect that US corporations abroad behave no less responsibly than at home. Indeed, most Americans would find it reprehensible that US corporations would treat foreign citizens less fairly and equitably than they do Americans. Why does Barber think it inappropriate for US citizens and taxpayers to support democratic development in SA?

At the conference, reports were given of the Polish-American Enterprise Fund, a private corporation established at the initiative of President Bush and the US Congress to encourage Polish private sector development. Thus far, the fund has been authorised to receive \$245m in capital from the US government and has, since its inception, committed more than \$180m to Polish private sector development. A similar fund has been authorised for Hungary.

Barber even detracts from copying this model to create a similar fund for SA stating that, in contrast, the Polish and Hungarian funds were established "after the countries had governments committed to free-market reform". In other words, Barber suggests that the US commit money for private enterprise in SA

only under certain economic conditions. This smacks of a call for international intervention in shaping the SA economy.

Yes, as Barber noted, former US congressman Walter Fauntroy, when discussing the SA fund, spoke of the historic use of "other people's money" for development. But why does this translate in Barber's language to unsound management? The Polish and Hungarian funds use "other people's money", as do the World Bank, the IMF and many other institutions of which we assume Barber approves.

As the period of sanctions is coming to an end, the central focus of the workshops was to attract new capital, US technology and training to assist in the transition from apartheid to democracy. Barber's article derides this effort which should be applauded by all South Africans. He seems more intent on settling old scores than looking to the future; this is surely not what will attract sorely needed investment and resources to build a new SA.

It seems as though Barber's prescription for a new SA is based on continued white domination, isolation from foreign investment and acceptance of international development assistance only under economic conditions dictated by donor countries. If so, it will be a sorry day when it comes. It is unfortunate that Barber is giving Business Day a bad name.

□ The authors were co-ordinators of the conference.

**BOOKS**

# US business leaders draft investment code

WASHINGTON — An ANC government will attract badly needed foreign investment only if it establishes clear rules and a positive climate to convince investors they can "earn a fair return".

So contends the Executive Leadership Council, a group of senior African-American executives from major US corporations such as Ford, IBM and Xerox, in a draft report on what they consider "workable" guidelines for investment in post-apartheid SA. *8/10/92 25/11/92*

The council's recommendations are being circulated to the ANC and to US corporate boards in what the group's president, Honeywell senior vice-president Mannie Jackson, sees as an opening bid to

~~CONFIDENTIAL~~ SIMON BARBER (62)

negotiate an investment code that will make SA an "attractive" destination for US multinationals. *273*

The study — prepared by Jackson and Lawrence Johnson, dean of Howard University's business school — urges renewed focus on the "bottom line" effect of codes being proposed by the ANC and Cosatu.

"Here's our offering of what, from our vantage point, seems to be workable," Jackson said, describing an eight-point plan put forward in the report.

The points include a heavy emphasis on an early childhood development programme to be funded by corporations;

close co-operation with the Black Management Forum to develop an inventory of black managers; support for higher education; and empowerment initiatives to encourage black businesses, equity ownership and board membership.

The report's basic assumption is that foreign investors will have four minimum requirements: the ability to do business in a safe and positive environment; rules that allow them to earn a fair return on their investment; a climate and rules that will remain stable over a long period; and government participation in the development of educational and other policies that mesh with the economic goals of the country.

□ To Page 2

SIMON BARBER

WASHINGTON — The number of non-US companies with direct investment or employees in SA has increased markedly over the past year, while US firms continue to be held back by ANC-backed local sanctions and SA's uncertain prospects.

However, US firms are expanding their non-equity ties through licensing and distribution agreements.

A new directory by Washington's Investor Responsibility Research Centre says that 508 non-US concerns now have a direct stake in SA, up from 454 a year ago. Of these 153 are British and 142 German.

The figure for US firms remains static at 111, up from 106 last March, but still far short of the 267 present in May 1986. But the number with non-equity ties has in-

BIDAM 25/11/92  
Disinvestment is being reversed

62  
creased by 23 to 256 over the past nine months. There are 303 non-US concerns with such links, up 132 from a year ago.

The problems US companies face in entering the SA market are illustrated by the experience of Apple Computer. Apple manager Jackie Robinson recently pleaded for the ANC to stop sending "mixed signals" on US investment. Apple was anxious to re-establish a sales and service network, but was being blocked by state and local boycott laws. "Our competitors continue to gain market share. Let us get on with the business of doing business."

# US franchises head for SA

WASHINGTON — A group of American franchise companies is heading to SA next month aiming to attract black entrepreneurs. *BIDA 27/11/92*

Firms looking to sell licenses include Kwik-Copy, Speedee Oil Change, Everything Yogurt and Mailboxes Etc.

Washington-based International Franchise Association and the Black Integrated Commercial Support Network are sponsoring a conference at the Carlton Hotel on December 8 to introduce US franchisers to potential black business owners. *(23)*

The network is a year-old project of the US Agency for International Development, run from Johannesburg, whose function it is to identify and help develop promising black businesses.

The project was providing a "pool of potential master licence holders", said the association's president Bill Cherkasky, who called franchising "one of America's most desirable exports".

Well-known US franchises currently operating in SA include Kentucky Fried Chicken and Pizza Hut. Although it sold its

*(170)* SIMON BARBER *(62)*

SA subsidiary to local investors in 1987, KFC Corp, a unit of Pepsico, retains licence agreements with 180 SA restaurants. THEO RAWANA reports that conference organiser Olivia van Melle Kamp said speakers would include Cherkasky, Washington law firm Brownstein, Zeidman and Lore partner, Philip Zeidman; local law firm Webber Wentzel partner Lawrence Reyburn; Nedenterprise CEO Neville Edwards and Deloitte & Touche associate director Allan Gitsham. *(23)*

US franchise operations had been particularly successful, generating 36% of all retail sales, against SA's 6%, Reyburn said.

He said US franchisers and the SA Franchise Association would like to see black business entering the franchise arena.

"The time is ripe for black participation. Finance which has been difficult to obtain is now more freely available." Nedenterprise, one of the co-sponsors, has arranged access to finance for black entrepreneurs.

... as a few foreigners return (58)

■ FEDERAL sanctions have gone, but state and city sanctions have put the brakes on United States reinvestment in South Africa. Figures released by the Investor Responsibility Research Centre show five US firms have established offices in this country since March last year. By comparison, the number of non-US firms with direct investment or employees has soared to 508, fifty-four more than a year ago. The level of the financial rand, however, shows those firms have not yet brought in sums big enough to counter the outflow of money. (62)

W/mall 27/11 - 3/12/92.





# US engineering conglomerate back in SA

THE US-based international engineering and construction conglomerate Brown & Root (B & R) had officially returned to SA and opened offices in Johannesburg, MD for the SA operation, Mike Elsip, said yesterday.

Elsip said B & R never entirely departed from SA when, because of sanctions, it announced the intention to do so in the mid-'80s. After being appointed to design the offshore plat-

EDWARD WEST

form and submarine pipelines for Mossgas, a number of smaller projects had been undertaken in SA since then.

However, said Elsip, B & R now felt the time right to officially return to SA, so that it could provide a point of entry for the group into other southern African countries, markets traditionally served from the US.

B & R also wanted to take advantage of SA as a supplier of materials and goods, and intended to supply these to other overseas operations, he said. BIDAY 2/12/92

At present B & R's SA activities would be limited to project management and engineering design, as, said Elsip, "there was little point" in competing for construction contracts against the likes of M & R, LTA and Group Five in the current economic environment.

# Major US software group opens in SA

By Sven Lünsche

Autodesk, the world's sixth largest PC software company, has opened its offices in South Africa.

Autodesk, which is the maker of AutoCAD, one of the most widely used computer-aided design programs, is the first major CAD company to invest directly into SA.

The SA group will serve the whole of the sub-Saharan African market for Autodesk, the vice-president of the US-based group, Volker Kleinn, said in a statement.

The managing director

of the Africa operation, Bill Gordon, said the new office would work with its local partners, who previously had been served by franchised dealers and distributors in SA.

"We will continue to support our infrastructure of 23 dealers in SA and 10 in the rest of Africa," Gordon said.

He added that several South African application developers were developing products that work with Autodesk software and were selling these to local and European markets.

Star 2/12/92

62



# Board investigates ISM sales practice

BIDM 3/12/92  
A FORMAL Competition Board investigation is under way into allegedly restrictive practices in the top-selling IBM AS/400 computer and affiliated markets which are believed to include software and maintenance.

The Competition Board's Pierre Brooks said it was important to do a formal investigation rather than a preliminary study into the situation, because this made it easier to access relevant documentation and other material for the case.

The AS/400 machines are bundled with software, and it is alleged that users are tied to ISM through software and maintenance contracts and feel obliged to source these components through ISM alone, cutting out third party sources.

"The practice also seems to apply to updating of computers bought five or six years ago, how the licensing agreement extends, and how conditions apply. We understand that this can make upgrading almost as expensive as buying a new system," said Brooks.

Early representations showed that other companies providing ancillary products, second-hand machines and third party maintenance, were affected adversely.

Because the investigation was fairly specific, and the principles quite clear, he said the board could have its findings ready by February.

ISM MD Bob Shepherd confirmed the board had contacted ISM, and ISM had asked for more details. "This is a general issue which has been raised; we have no idea where it stems from, and we have no

(b2) (S)  
Reports by  
MELANIE SERGEANT

specific information to address as yet. We are seeking a meeting with the board so we can clarify exactly which issues need to be explained," he said.

Industry sources believe the complaint may stem from second-hand IBM equipment vendors who source products from the US. If companies import these used machines from the US, they are bundled with software, but a second set of software must be bought from ISM because in terms of IBM licence agreements there are geographic restrictions on the use of the software.

MD of second-user IBM equipment vendor Bryant Computer Brokers, Richard Bryant, welcomed the investigation, saying ISM could have been creating an unfair monopoly in the AS/400 market. "Only ISM is able to sell IBM operating software in SA. For this reason, only they determine the pricing and bundling structure of hardware and software. This means SA buyers may pay almost double the price that European and US users pay for their operating system software."

He said discounts of up to 25% were sometimes offered on operating software, but if clients wished to buy the hardware elsewhere the discount "disappeared".

Bryant said the investigation could be reminiscent of the Anti-Trust cases brought against IBM in the US in the '70s. The US State Department took IBM to court for unfair business conduct, and this led to new criteria for its operations.

## FRANCHISE ENTERPRISE

FM 4/12/92.

**Franchising** has become one of the fastest growing generators of economic activity in the US, where a third of all retail sales are now said to take place through franchise outlets.

In SA, franchising is still in its infancy. An estimated 6% of all retail sales are currently conducted through franchise operations. Lately, however, there has been more interest in franchising with the SA Franchise Association reporting an average of 30 calls a day from people interested in moving into franchising. This is one of the reasons the US Aid-funded Black Integrated Commercial Support Network (BICSN), together with the International Franchise Association, is organising its first-ever franchis-

ing conference in SA at the Carlton Hotel in Johannesburg on December 8 and 9.

The *FM* is hosting the conference and Deloitte & Touche, NedEnterprise and Webber Wentzel are sponsors. Delegates will be able to attend workshops held by about 15 major US franchisors on their franchise systems.

BICSN is hoping that black businessmen will be among the major beneficiaries. Says BICSN's Olivia van Melle Kamp: "We believe franchising is a potent method of developing new enterprises."

Inquiries can be directed to BICSN PO Box 1936, Randburg 2125, or telephone (011) 789-3141. Fax (011) 789-3438. The fee per delegate is R990.

The fee per delegate is R990.

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**Public servants ask 25%**

By ADRIAN HERSCH

PUBLIC service trade unions have demanded a 25% pay increase in talks which affect about one-million State employees.

The Commission for Administration (CFA) has apparently responded with an offer of a 5% pay increase.

The current salary bill for the one-million employees is about R30-billion.

The talks are taking place between the CFA and 12 unions representing central government employees and six unions from the education sector.

The pay talks will be watched with interest as Government is determined to restrict consumption expenditure.

Departments were asked to cut budgets by 5% this year and 3% next year.

Retrenchment has begun, but an accurate figure of the full effect on the salary bill regarding those retrenched by March 31 will only be known at that stage.

An attempt to calculate the effects of a 5% pay increase would thus be premature, said a source in the public service.

Nehawu general secretary Phillip Dexter described the 5% pay offer of the CFA as "absurd".

**COMPANY ROUND-UP**

PRELIMS	Turnover (Rm)	% change	Profit before tax (Rm)		Earnings a share (c)		Div a share (c)	
			% change	% change	% change	% change		
Femcotech ▲	180.7	N/A	-6.8	N/A	-24	N/A	—	—
Decor	19.8	-10	-1.4	N/A	-9.6	N/A	—	—
Cemenco	265.3	-18	1.7	N/A	4.4	N/A	—	—
▲ 16 months								
INTERIMS								
Foschini	N/A	—	73.9	+20	N/A	—	N/A	—
Forum	18.9	+14.5	1.2	-18	2.2	N/A	—	—
Advtech	10.8	-9	0.04	-96	—	—	—	—
Shocralt	3.2	0	0.02	-78	0	N/A	—	—
Falcape★	45.1	N/A	-18	N/A	+0.3	N/A	—	—
Canmag	27.1	+15	-0.4	N/A	-1.7	N/A	—	—
LTA	867.0	-13	30.8	+15	88.0	+28	—	—
Absa	—	—	415.5	+60	51.9	+14	17.0	+10
GDM	—	—	6.1	0	20.5	+11	6.8	+10
Solchem	28.9	+7	2.2	+25	2.9	+26	—	—
Hoters	45.1	+7	6.5	+17	6.6	+18	—	—
Caxton	288.2	+11	26.8	+4	32.5	+10	4.0	+13
CTP	288.2	+11	28.6	+5	51.7	+8	6.7	+9
Clicks	426.4	+32	21.0	+36	45.4	+10	19.0	N/A
Darmag	11.3	-18	0.9	-19	4.0	-22	—	—
Chubb	91.9	+3	5.4	+165	53.4	+73	14.0	+55
Higate	—	—	—	—	40.0	+7	40.0	+7
Histone	—	—	—	—	10.9	+4	10.9	+4
Matcash	2652.4	N/A	39.6	N/A	14.7	N/A	6.0	N/A
★ 18 months								

**US franchisors for SA**

FIFTEEN leading US franchise companies will be looking at opportunities in the South African marketplace at a two-day conference in Johannesburg this week.

They include Duraclean International, Jani-King, Futurekids Corp, Medicine Shoppe International, Speedee Oil Change, Everything Yoghurt and Salad Cafe and King Bear Enterprises.

The conference is being or-

ganised by the International Franchise Association (IFA), which represents major world franchisors, and the Black Integrated Commercial Support Network (BICSN), a US-AID-funded project.

BICSN-chief-executive Leyland Hazelwood said: "This is the first time that so many internationally successful franchisors will be in one place in SA and seeking local partners." It is also the

first time that the IFA will hold a conference in SA.

The US firms will be looking to sell licences in SA or to go into joint venture partnerships.

Franchising is a young but growing form of enterprise in SA. About 6% of yearly retail sales are estimated to be through franchise operations. In the US, more than 36% of all retail sales are through franchises.

# IBM structural changes a boost to growth at ISM

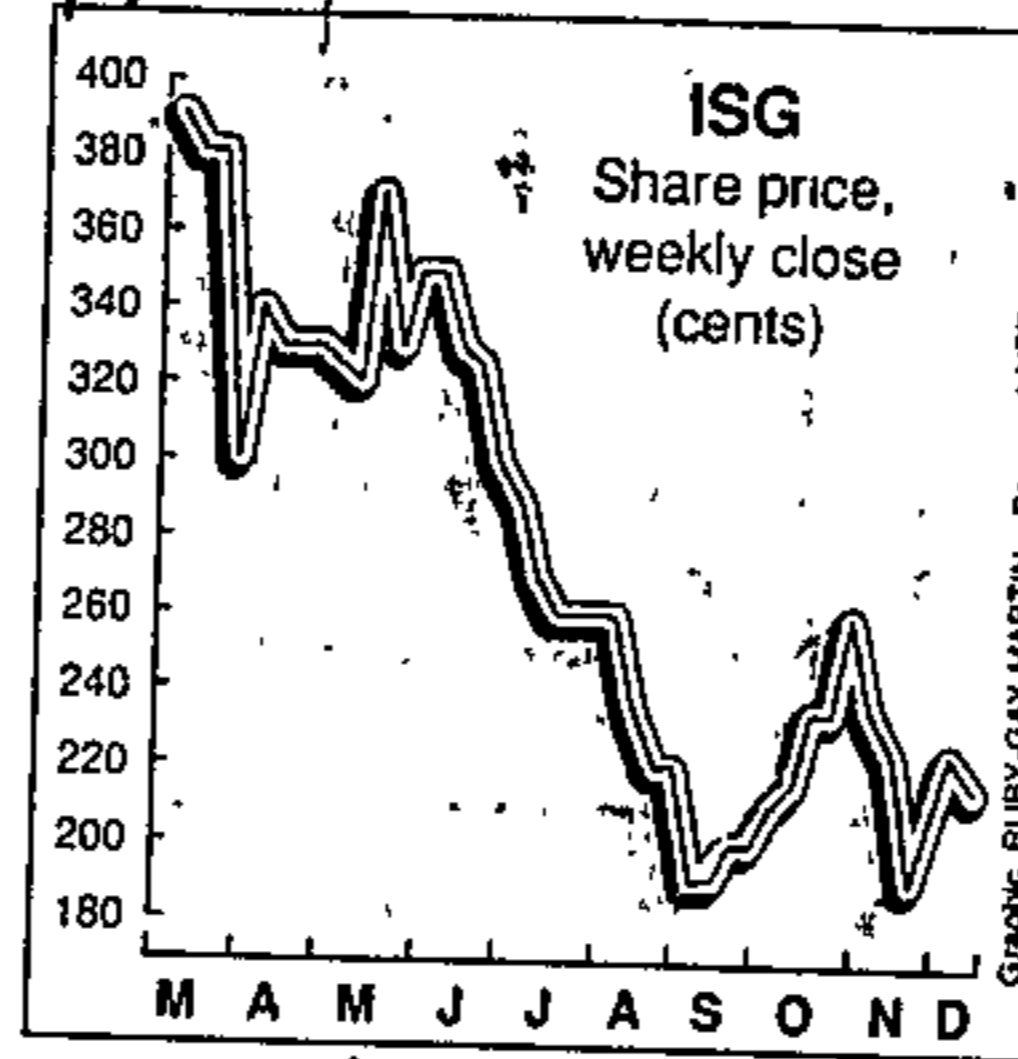
DUMA GOUBULE

STRUCTURAL changes within US computer giant IBM have produced a spin-off for local distributor Information Services Group (ISG).

ISG chairman George Bulterman said in the 1992 annual review that the changes would enable the group to match growth in the country's computer industry.

Bulterman said wholly owned subsidiary ISM, the country's sole distributor of IBM products, was responding to changing market requirements by restructuring into independent, specialised business units, each designed to service particular market sectors and needs. These actions would allow ISM to take advantage of favourable developments and opportunities.

Executive chairman Brian Mehl said ISM was transforming itself into a leaner, flatter, more autonomous structure, with specialised oper-



ations in niche markets.

Similar structural changes at IBM, and associated large extraordinary provisions, had impaired IBM's results and had created some anxiety among its customers.

But the group's relationship with IBM remained one of its greatest assets. The continuing close links with IBM allowed ISM to offer the widest range of products and industry expertise and access to the fruits of IBM's

extensive research & development, which reached \$6,6bn in 1991.

ISG reported a marginal decline in turnover to just over R1bn, due mainly to disappointing sales of computer mainframes. Attributable earnings fell by 5% to R51,6m because of declining margins and the cost of establishing new ventures.

Mehl said ISM had maintained its leadership position in the SA marketplace despite the concentration on restructuring and losing out on certain large orders.

On the group's other operations, Mehl said Data Technologies, a provider of software and services to IBM mid-range computers was in an excellent position to service its clients. This, together with international opportunities, would be the focus in the current year.

TS Education, supplier of software to the education and training market, was suffering from changes in the country's education policy, and was still not operating profitably.

STAR 9/12/92

## US franchisors set sights on SA

By Leigh Hassall (62)

Fifteen US franchisors presented their wares to aspiring local entrepreneurs and other interested parties at the opening of the International Franchise Conference in Johannesburg yesterday.

The franchisors hope to expand into the SA market either through the sale of a master licence (the rights to operate the franchise in a particular region or country), or through a joint venture partnership.

It is estimated that about six percent of SA retail sales come through franchise operations.

The two-day conference was organised by the US-based International Franchising Association (IFA) and a US aid project, the Black Integrated Commercial Support Network (BICSN).

The BICSN is a project whose driving mission is the economic empowerment of black enterprises.

Chief executive Leyland Hazelwood said franchising had been targeted as one of BICSN's business development strategies because of its potential to transfer sound business systems and approaches to South Africa's new entrepreneurs.

"It is significant that this is the first conference ever held in Africa on international franchising, a truly historic occasion which I sincerely hope will act as a catalyst in stimulating new economic activity among entrepreneurs, especially black entrepreneurs," he said.

The conference was opened by the president of the IFA, William B Cherkasky.

Not long ago a US-sponsored business conference in SA would have been out of the question. But not an eyebrow was raised as more than a dozen US franchisors marketed their companies to would-be entrepreneurs this week at a conference underwritten by the US government.

"The economic actors cannot stand by and wait," for the political process to unfold, US ambassador Princeton Lyman told the 200-plus delegates at Johannesburg's Carlton Hotel for Africa's first international conference on franchising. It was co-sponsored by Webber Wentzel, Deloitte & Touche, Ned-Enterprise and the FM.

The event was organised by the Washington-based International Franchise Association — an umbrella group for the 355 American franchisors with 35 000 outlets in 60 countries — in conjunction with the Black Integrated Commercial Support Network. The network, which was established in June and is based in Randburg, is funded by the US Agency for International Development.

"Over the expected five-year life of this project, we seek to put together 250 business deals that will see black-owned enterprises flourishing in the mainstream economy, train 500 new entrepreneurs and undertake a range of additional activities that strengthen the role of black business people," says network CE Leyland Hazelwood.

The network has targeted franchising as an important vehicle to spur economic empowerment. "Internationally, franchising is the success story of the Nineties and we believe it is poised to take off in SA," Hazelwood says.

Franchising in SA has a long way to go to

catch up with the US, where more than one-third of all retail sales are through franchise operations. Here, that figure is estimated to be just 6%.

International Franchise Association president Bill Cherkasky predicts rapid growth in the market. "There's a sophisticated population, a lot of money and a lot of pent-up demand." He adds that he can "predict with certainty" that the big-name American retail franchises, such as McDonald's, will begin setting up shop in SA as soon as an interim government is in place.

Cherkasky says the franchisors are here to do business whether the money comes from blacks or whites, though finding black franchisees would be nice. The American government, he adds, subsidised the R990 fee for the two-day event for some black delegates.

He adds that the participating franchisors are what he would call emerging businesses. It might cost US\$300 000 to buy a McDonald's franchise but only about \$2 000 to establish a Jani-King janitorial service. Other participants included:

- Mail Boxes Etc. — founded in 1980 in California, the listed company has 1 800 centres around the world that provide postal, business and communications services;
- Futurekids, Inc. — a private company based in Los Angeles, now the world's largest chain of children's computer schools, providing instruction in 1 000 locations in the US, Canada, Japan, Australia and Indonesia;
- Citizens Against Crime — based in Texas, the company gives seminars on crime

prevention and sells products such as tear gas, reflectors for disabled cars and warning stickers; and

Kwik-Kopy — a copying and duplicating service based in Houston, which already has 13 outlets in SA.

The conference was the first major event for the Black Integrated Commercial Support Network, which has been operating "in a low-key way because we don't want to raise expectations," according to Hazelwood. He says the network's primary role is to assist in identifying, training and advising entrepreneurs, especially those with the fire-in-the-belly quality.

Fire is one thing but funding is another. The network is establishing an equity capital fund with money from private sources here and abroad. Hazelwood predicts that the fund may grow to R100m, though commitments right now are tentative. He says donors will remain uncommitted until there is an interim government and more stability.

"If they put in \$1m, they want to make sure their money isn't blown away. More than enabling environment, SA needs an inviting environment. The feeling is that it is not yet inviting enough." ■



# Networking products maker forging ahead

By Stephen Cranston

GTI, the US manufacturer of networking products and electronic components, is currently enjoying a 25 percent growth in its local area networking (LAN) products.

GTI is a subsidiary of Telemetrix, the London-listed high-tech electronics group which is 7,2 percent-held by Altron and 49 percent-held by Bill Venter and family trusts.

GTI has become a principal supplier of LAN components such as hubs, bridges and routers to original-equipment manufacturers.

There are more than 3 000 of these, including Cabletron, 3Com, Synoptics, DCA, AT & T, Anthem Electronics and Novel.

GTI's Valor Electron-

ics division packs greater functionality into smaller components so these companies do not develop the components in-house.

Valor's computer-aided design capability speeds the customisation and design of components, and its high volume Asian manufacturing facilities result in lower cost.

GTI avoids commodity pricing and achieves strong gross profit margins.

In its third quarter, sales increased by 30 percent to R75,6 million.

For the first nine months of the year, sales were up 34 percent to R221,4 million, net income was up 110 percent to R17,28 million and earnings per share up 103 percent to 179c.

## IBM calls two executives out of retirement

NEW YORK — In a startling sign that its current management team is not strong enough to handle a mounting crisis, IBM is bringing back two retired executives to help embattled chairman John Akers run the computer giant, the Wall Street Journal reported yesterday.

The company's business has deteriorated and its stock has plunged to 11-year lows. Several people close to IBM suggested Akers could be trying to shore up his support with the board by enlisting two popular former vice-chairmen, Paul Rizzo and Kaspar Cassani.

An IBM spokesman said it was Akers's

idea to call on Rizzo and Cassani, both widely described as having a superb command of the computer industry. The spokesman denied the board had installed the two men, or was in any other way undercutting Akers's authority.

IBM officials said Akers sent a memo to about 100 top managers on Friday announcing that the veteran executives would return as his "counselors and advisers", starting on January 1. "Our work will benefit from their insight and seasoned judgment," Akers wrote in the three-sentence memo. — AP-DJ.



# SA could become another Rotterdam, say US firms

SA COULD become one of the world's major trading regions with the help of US investments, provided a negotiated political settlement is reached soon.

Louis le Roux, a director of Stuttaford Van Lines International, who recently returned from a visit to the US, says interest from some of the large multi-national corporations is hotting up.

"SA is seen as the breadbasket for a large part of Africa as well as vital in terms of transport links. Our established road, rail and harbour infrastructure could win us, in southern African terms, the position that Holland's Rot-

terdam enjoys as Europe's main port," he says.

"This would mean a significant and ongoing boost for the economy." *SITimes (BYSS)*

Mr le Roux attended the Household Goods Forwarders Association of America conference, which was attended by 1 400 international delegates. 27/12/92.

"During my four-day visit I saw 51 companies and the feeling was that, given a solution to our problems, SA could become one of the world's major trading regions.

Business Times Reporter

(62)

"I was really surprised at the tremendous amount of renewed interest the international removals industry in general, and the American sector in particular, expressed in SA business and social conditions," he says.

In recent months Stuttaford has been involved in a considerable number of top-level management relocations for international companies based in SA, and there seems to be a trend towards the reshuffling of top management in the hope of a recovery in the economy.

# IBM stock (62) ~~17~~ plunges on STAR 17/12/92 US market

NEW YORK — International Business Machines (IBM) plumed 11-year lows on Wall Street yesterday as investors dumped shares in a two-day selloff that shaved \$6.14 billion from the computer giant's overall market value.

IBM triggered the selloff on Tuesday with sweeping job cuts imposed because its core businesses were doing badly, threatening record losses and a dividend cut.

The stock's steep fall left it at half its 1992 high of \$100,375 a share, reached just six months ago.

Volume surged to over 13.4 million, surpassing Tuesday's 12.2 million, while some stock traders joked sarcastically that IBM should stand for "I've Been Mugged."

The run soured investors on blue-chip stocks and the Dow Jones average fell more than 29 points by the close.

Analysts warned that IBM shares, which touched their lowest level since November 1981 at \$50.75, could drop to the mid-40s in coming weeks amid fears that the giant corporation is headed for a record loss this year.

IBM stock has been falling since August 21, 1987, when it reached an all-time high of \$175 share. Sapa-Reuter.

# IBM to cut 25 000 jobs as crisis deepens

BIDAY 17/12/92 (62) (11)

NEW YORK — IBM has plunged deeper into the worst crisis in its history, declaring that it expects to make its first layoffs in half a century and warning that its once sacrosanct dividend is in danger.

At a news conference on Tuesday chairman John Akers said IBM would take a \$6bn pretax charge for the fourth quarter to pay for cutting its work force by 25 000 more employees and shedding assets in its fading mainframe computer business, Wall Street Journal reported yesterday.

Akers disclosed that IBM's business was deteriorating much faster than expected. IBM would break even on an operating basis in the fourth quarter. However, there was no sign of improvement in early 1993.

IBM stock, already at 10-year lows, plummeted \$6.75 to \$56.125 as 12.2-million shares changed hands in New York Stock Exchange composite trading.

The announcement was IBM's bluntest admission yet that its basic business was in turmoil, that its most cherished corporate principles were outdated and that its long-term strategy was too ambitious.

Akers said IBM would make a major shift away from its core mainframe business to the software and services market. IBM's mainframe revenue would drop 10% this year and keep falling next year.

IBM chief financial officer Frank Metz said the company was re-evaluating its hopes of showing an 18% return on equity by the mid-1990s.

As recently as September IBM assured Wall Street that its annual dividend of \$4.84 a share was secure. But on Tuesday Akers said IBM's weakness during the past few months, particularly in Japan and Germany, caught the company off guard.

Akers insisted his job at IBM's helm remained secure, despite pressure from some shareholders, and continued to blame industrywide forces rather than IBM miscalculations. But he was more contrite than usual. "We have disappointed ourselves and we have disappointed other people," he admitted. "I feel personal accountability and personal responsibility for the performance of this company."

In recent years IBM has come close to layoffs by offering workers humiliating demotions in faraway places. But the company said it had not dismissed employees for economic reasons since it let nine workers go in 1940.

It said it would slash development spending next year by \$1bn and expected to cut its administrative overheads by another \$1bn. It also said it would keep cut-

ting its capital spending, which fell by about \$1bn in 1992.

In 1991, IBM reported that it spent more than \$5bn on plant and other property. Research and development and engineering spending consumed \$6.64bn.

IBM's planned development cuts drew criticism from president-elect Bill Clinton during his economic conference in Little Rock, Arkansas. "Product development will be cut by \$1bn, exactly what we don't want them to be cutting," Clinton said.

In response, Akers said the cuts made sense "as the revenue streams at IBM move to services and other non-R & D activities." IBM president Jack Kuehler, the company's top technologist, said IBM remained one of the country's biggest investors in research, and that spending cuts would not threaten IBM's competitiveness.

IBM said half its new \$6bn charge would cover the 25 000 departing employees and the rest physical assets, chiefly in the mainframe area. It planned cuts around the world but did not expect to shut down any plants entirely.

IBM got a slap from Moody's Investors Service, which said it was considering downgrading the ratings of \$18bn in the debt of Big Blue and its subsidiaries.

Last week, the other major rating agency, Standard & Poors, placed its triple-A rating of IBM under review.

Tuesday's news from IBM was another blow in what has been its worst year yet. After a respectable first half, weak economic conditions and fierce price wars accelerated broader trends that were already sapping IBM's strength, in particular the move to low-profit PCs.

Many analysts felt IBM was too slow in reacting to these changes, fumbling opportunities to get back into the game. As a result, it was stuck with massive resources devoted to fading mainframe markets while it played catch-up in fast-growing areas such as software and services.

The company posted a disappointing third-quarter profit, before special charges, of \$86m, or 15c a share, barely half analysts' worst-case estimates.

The company announced pretax charges of more than \$2.1bn for slicing more than 40 000 employees from its work force during 1992, which would bring the total pretax charges this year to \$11.4bn. The new charge will plunge IBM into its second annual loss in a row.

Analysts were heartened by Akers' new tone of realism, but many remained unsure whether IBM had grasped the full severity of its problems. — AP-DJ.

# US motor industry fuelled by consumer confidence

DETROIT — Growing consumer confidence in the economy and low interest rates are helping fuel the motor industry's long-overdue recovery.

The latest evidence came on Tuesday when car makers reported sales of domestically built cars and trucks surged 17.9% in the first 10 days of December.

"As far as Detroit's concerned, this is perhaps where Santa Claus has come to town," said David Garrity, an industry analyst for McDonald and Co Securities in New York.

"The improvement in consumer confidence followed the Clinton election and reflects the perceived belief that Clinton has a better ability to manage the economy," Garrity said. "I think that's getting people to go out and buy something."

Car loan rates, which Garrity said bottomed out in October, were also a factor in loosening pent-up demand for new cars and trucks.

Both car and truck sales showed strength in early December as car sales rose 12% and truck sales 26% over the same period a year ago.

Car sales traditionally are weakest in the first 10-day reporting period of a month and usually improve in the middle 10 days and peak in the last reporting period.

The early December projected sales rate of 6.5-million for new cars was only the third time in 12 months that the seasonally adjusted rate hit such heights.

Domestically built light trucks such as pickups, minivans and sports utilities sold at a 4.8-million projected annual rate, continuing the strength they had shown all year. Trucks now account for more than 40% of total vehicle sales, up more than 3 percentage points from last year.

Ford, which reported a 49.9% increase in car sales, was the biggest factor in the overall sales surge.

Among the US "Big Three" — General Motors, Ford and Chrysler — only GM had lower car sales than last year, down 11.7%. All three reported higher truck sales.

Japanese companies with assembly plants in North America also reported stronger sales in early December, but their overall share of the domestic car market was 14.8%. — Sapa-AP.

BIDAMM 17/12/92

## SPL sees many advantages in Ohio acquisition

By Stephen Cranston (62)

The acquisition of Ohio will make it easier for SPL to make micro-computer technology available to its corporate clients down the line, says MD Lewis Folb.

Folb says the explosion of personal computers and information technology companies has made the customer's job more difficult, not easier. STAR 15/12/92

Clients needed to deal with one company to offer a single technology solution, which SPL will be able to do more easily as Ohio has original thoughts on personal computers.

Ohio offers point-of-sale and multi-user application software for retailers, which have been installed for 1 000 customers countrywide.

Folb says Ohio is the first acquisition by SPL.

"Ohio gives us a good entry into the motor dealer and overall retail market. And it shows considerable business maturity. Computers are an opportunity to do business rather than a chance to have fun with a few machines."

Ohio's document and currency processing division provides SPL with an entry into the rapidly growing area of optical character recognition and imaging technologies.

SPL has bought Ohio Computer Systems for R6 million and 800 000 SPL shares, with a current market value of 310c.

Ohio MD Peter Voss is confident there will be new opportunities arising from the strength of the existing technology base and customer support network of the combined group.

Folb says that all Ohio's 100 staff will be absorbed and Ohio will be run as the 15th company in an already decentralised SPL group.

# Task force appointed to formulate code of practice for business

SMN 16/12/92



Mervyn King... heads task force.

**By Des Parker**  
**DURBAN** — Frame group executive chairman and former supreme court judge Mervyn King is to head a task force to make recommendations aimed at raising standards of accountability in the private and public sectors.

The group is being formed at a time when the Office for Serious Economic Offences (Oseo) is understood to be investigating business scams involving more than R1 billion and when companies are failing at a higher rate than at almost any time this century.

Institute of Directors (IOD) executive director Richard Wilkinson said yesterday the force had the support of numerous professional bodies and similar organisations, such as the Institute of Chartered Accountants, the SA Institute of Business Ethics, the JSE the Association

number of countries, including the UK, US, Australia and Canada," said Wilkinson.

"The IOD believes that in the light of recent business failures, this issue should become a priority in SA as well. For some time the institute has considered a code of ethics for directors of business and recently amended its mission and adopted a credo and code of ethics."

One of the documents the force would draw most heavily on was Britain's Cadbury Committee Draft Report on the Financial Aspects of Corporate Governance (1992), which contained a "code of best practice" designed to achieve high standards of business behaviour.

From next June, companies listing on the London Stock Exchange would have to comply with this code.

"At the heart of the task force's efforts is an endeavour to find a balance between the free spirit of entrepreneurship and the constraints of effective accountability," said Wilkinson.

"This goes to the heart of companies and SA's competitive position, and it is in the interest of commerce, industry and Government that some code of practice be established without delay."

Recommendations could include amendments to legislation, particularly in fields such as financial reporting and directors' responsibilities.

Meanwhile, the Institute of Chartered Accountants (Saica) and the Public Accountants' Auditors' Board (Paab) have warned that copies of their registration certificates have been forged.

The organisations said in a statement: "Members of the public are asked to be aware of the possible fraudulent use of these certificates."

"If they have any doubt about the authenticity of a certificate, they are invited to contact Rene Pheiffer, at (011) 622-6655 in respect of Saica certificates and Jane O'Connor at (011) 622-6665 in respect of Paab certificates."

## Producer price rises still slowing down

By Sven Limsche SMN 16/12/92

Price increases at the producer level continued to slow down in October on the back of a noticeable deceleration in agricultural food prices.

Central Statistical Services said yesterday the year-on-year increase in the producer price index (PPI) in October fell to 7,8 percent from 8,8 percent in September.

On a monthly basis — from September to October — it increased by an encouragingly low 0,5 percent.

Lower rates of increases were reported for both imported goods and locally produced commodities.

The annual rise in the PPI for imported commodities fell from 7,1 percent in September to 4,3 percent in October, aided by the firmer trade-weighted level of the rand.

Locally produced goods rose by a year-on-year 8,7 percent in October (9,2 percent in September).

While the drought was only effectively broken last month, there were already indications in October that agricultural food price rises were slowing down.

CSS says agricultural food prices were 20 percent up on an annual basis in October (22,9 percent the previous month).

Food prices at the manufacturing level have decelerated more markedly and maintained September's annual rate of 7,3 percent in October.

## IBM to lay off 25 000

NEW YORK — IBM said yesterday it would reduce its workforce by about 25 000 in 1993 and further trim global manufacturing capacity as part of another round of cost-cutting.

The latest moves would result in a charge of about \$6 billion in the current fourth quarter, the company said.

That's on top of \$5,4 billion in charges against earnings the computer maker earlier said it would take this year.

IBM issued its strongest warning yet that it might have to end its historic practice of getting rid of excess staff through voluntary means and move to forced layoffs.

Chairman John F Akers said that if business conditions did not improve significantly, "it is likely that some business units will be unable to maintain full employment in 1993."

Full employment is IBM's term for not having layoffs.

IBM said the reductions in manufacturing capacity would be concentrated in the company's computer chip, mainframe computer and computer data-storage products businesses.

IBM further said it would cut spending on product development by about \$1 billion in 1993.

The company also said it would take steps to further increase the autonomy of its business units. — Sapa-AP.

## Mystery deepens over Rowland's sale of shares

By Bibby

SMN 16/12/92



Rowland — It is 31 years since Roland 'Tiny' Rowland was recruited by Angus Ogilvy, then an executive of Harley Drayton's 117 Old Broad Street group, while on a visit to Rhodesia to sort out the troubles of

## Last fling from master of controversy

LONDON — It is 31 years since Roland "Tiny" Rowland was recruited by Angus Ogilvy, then an executive of Harley Drayton's 117 Old Broad Street group, while on a visit to Rhodesia to sort out the troubles of



Rowland over, but was repulsed by a 98-page Lonrho document which alleged that the Bond Corporation was financially un-sound. Indeed, Bond later went bankrupt.



FOREIGN FIRMS IN SOUTH AFRICA - USA  
1993

## COMPANIES

### IBM's big blues not yet felt on the local scene

WITH 1992 the worst year in IBM's history, and this year's prospects even gloomier, the dismay investors feel is not reflected by local users.

ISM MD Bob Shepherd said: "We haven't yet seen any significant impact, although customers are asking for information about overseas developments at IBM."

Big Blue, having spent \$25bn on R & D in the past four years — more than any other single company worldwide — will make significant cuts in its R & D expenditure and also cut its manufacturing capacity in core areas such as chips, mainframes and large disk drives.

Shepherd said: "Customers realise that growth in the industry will be in key areas like software and services,

Monday 4/1/93. (62)

MELANIE SERGEANT

so they understand IBM must invest more in people, skills and restructuring than in pure R & D. Because growth will be in areas outside the actual technology, it makes sense that IBM continues with joint ventures with other manufacturers."

Over recent years, collaborative deals have been signed with arch-rivals like Apple and Toshiba, and hundreds of other companies.

IBM's decision to split into several autonomous units had sped up restructuring at ISM. "This will have a positive impact on our links with IBM because direct links will be established between divisions handling specific products," said Shepherd.

Announcements from IBM chairman John Akers have been construed by many overseas analysts as spelling the death of the mainframe — systems which have accounted for 60% of IBM's profits.

Akers said mainframes were still very important, but IBM would now focus more on services and software.

IBM said consolidations would come in mainframe, mainframe disk and mainframe chip plants, and analysts believe mainframe hardware and software R & D will bear the brunt of R & D cutbacks.

The US-based Computergram publication says thousands of IBM mainframe users would now freeze their plans and rethink their computing strategies.

## Drips probe 'could be reopened'

Star 12/1/93  
An inquest into the deaths of 13 babies who had received intravenous drips supplied by Sabax could be reopened if new evidence warranted it, Transvaal Attorney-General Klaus von Lieres said yesterday.

The inquest, held last year, found no one re-

sponsible for the deaths of 11 of the 13 babies. There was no finding on the other two babies.

Sabax chief executive Ian Strachan said the firm would co-operate with the authorities.

US-trained pharmaceutical technician Di Parker, who worked at

Sabax from 1984 to 1991, has said in a sworn affidavit that "sub-standard techniques" were applied in the Sabax admix unit.

Attorney Peter Soller has written to President de Klerk, asking for a presidential commission of inquiry. — Staff Reporter and Sapa.

MBASSADOR Harry

Schwarz has reached the conclusion — some would say belatedly — that the removal of state and local sanctions on firms that do business with SA is beyond his powers of persuasion, is not terribly important in the overall scheme of things and, in any event, will be achieved only when the ANC gives the word.

This will undoubtedly save his embassy a lot of time and money in the months ahead, and will free Schwarz to devote more of his energy to selling his country as an attractive destination for US investment when the ANC's Nelson Mandela and his colleagues finally give the green light.

At that point, the issue may have to be readdressed with some vigour to ensure the US sanctions lobby obeys the ANC's command. There can be little doubt that there will be prevarication, since the boycotts are their sponsors' bread and butter. When the ANC does speak, its words will almost certainly be subject to Talmudic interpretation in an effort to find a meaning that will keep the industry alive. As became clear at a meeting of concerned state legislators in New Orleans last month, the sanctioners are already resisting efforts to co-ordinate sanctions repeal when the time comes.

In the interim, the main target for Schwarz and his staff has to be the US investment community, and in reaching it they are going to need a lot of help from home. The ambassador himself is particularly anxious that the negotiating parties recognise this and that, in addition to reaching agreement on constitutional matters, they should swiftly bind themselves to a set of credible economic and fiscal policies.

US companies and multilateral agencies like the World Bank and IMF take it as given that transition is at hand. The question they are asking Schwarz is: to what? Will there be stability, will the new government be fiscally responsible,

# SA must get its act together if it hopes

## to lure investors

Blom 12/193

SIMON BARBER in Washington

what will the tax system and labour relations look like, will policies be sustained? Amid mounting pressures on US firms to invest at home, and heightened international competition for investment, SA cannot afford to put off coming up with the right answers.

As luck would have it, the World Bank's International Finance Corporation (IFC) has just published *Trends in Private Investment in Developing Countries 1993*, an annual study of 47 economies which lays out in brief and easily digestible terms what attracts investment and what does not. SA is covered for the first time and its trend lines show it could use the advice.

In the countries surveyed, private investment levels from both foreign and domestic sources rose steadily after 1985 to an average of about 17% of GDP at the end of 1991. For SA, the figure was 12.5%, while the total investment rate — private plus public — fell from 25% to 18%. The latter figure was on a par with the average performance in the rest of the continent. The difference is that the trend in SA is down, while it is staying even or rising elsewhere. Nor is Africa exactly desirable company. Its private investment ratios are the lowest of any region,

and nowhere receives less foreign direct investment. Such investment flows to the entire continent were less than \$1bn in 1991, even as flows worldwide were jumping to a record high of more than \$7bn, reflecting the growing globalisation of production. Of that, the five largest recipients — Mexico, China, Malaysia, Brazil and Thailand — pulled in 55%.

Some of what the IFC lists as determining private investment levels is obvious. The most important reason for investing is growth of demand. There is an also an unsurprising correlation between investment and capacity utilisation. But equally important is the degree to which credit is "crowded out" by public sector financing requirements. Of 14 countries where private investment has been rising, and whose economies were "adjusting" with the help of the World Bank, most achieved improved fiscal balances.

Inflation and volatile exchange rates hurt, because they entail unpredictability and the danger the currency devaluations will raise the cost of imported capital goods and inputs. Interest rates also matter,

but often counter-intuitively. Rising rates may encourage private investment "because average borrowing costs decline as official and informal (curb) rates are unified".

Sound macroeconomic policies are essential. Of the 16 countries with the largest increases in private investment in the latter half of the 80s, 12 posted increases in savings during the preceding five years. The converse was also true. Eleven of the 16 worst performers in private investment terms had been net dis-savers over the same period.

Foreign investors, in addition, tend to look for a buoyant local business climate and "attach great importance to the levels of foreign investment already in place". Interestingly, relative costs of production are becoming less of a factor for outsiders than is commonly supposed. Instead, companies are increasingly attracted by the availability of education and high skills.

The institutional environment is also critical. "Inadequate administration of justice, deficient property rights, frequent political interference in private business, corruption and excessive red tape are among the most serious obstacles to private investment". Even one such obstacle may be a decisive deterrent, and the

IFC urges that governments take a "holistic" approach in establishing an attractive environment.

Investors look for what the IFC calls "policy anchors" which provide reassurance that governments will not abruptly change course. First, an open, export-orientated economy, for which there is a strong constituency to stand in the way of policy reversal. Second, a convertible currency, which investors may shift in and out of easily and thus punish governments for ill-advised actions. Third, a large-scale privatisation programme. And fourth, membership of a regional trading group which acts as a brake on government urges to reverse liberalisation.

Finally, the IFC suggests that caution be exercised by those wishing to emulate the Asian Tigers. Yes, "active government intervention undoubtedly played a major role" in achieving the extremely high private investment levels of those economies. However, for most other developing nations, a like degree of intervention is not sustainable. Their public administrations cannot boast the requisite degree of "competence and integrity". Subsidies and incentives on the scale provided in South Korea and Taiwan during their launch phase will almost certainly be "diverted from their original purpose" elsewhere.

In our opinion, the report concludes, "firms are most likely to invest where governments are moving away from pervasive intervention and instead are focusing on the macroeconomic setting — particularly on sound public finances and realistic exchange rates — and where they are making progress in creating the institutional bases for prosperity: law and order, a well-functioning judicial system and laws which are enforced across the board, basic health and education and an efficient transport infrastructure." That, at any rate, is how countries such as Thailand, Malaysia, Indonesia, Chile and Mexico have made themselves attractive to investors. Others are following in quick order. Will SA get to the party too late?

# Microsoft set to unseat IBM as industry leader

By 18/1/93

(62)

NEW YORK — The race is tight, but analysts agree that software corporation Microsoft's stock market value is about to surpass that of IBM.

On Friday IBM held onto the lead by a slim margin. With IBM stock quoted at \$48.75, up \$1, its 570.9-million shares had a value of \$27.83bn. Microsoft shares closed unchanged at \$91.25, giving its 299-million fully diluted shares a value of \$27.28bn.

And coming up fast in the technology sweepstakes is third-placed Intel, whose shares leaped 14% last week. The semiconductor maker is valued at \$24.47bn, based on Friday's closing price of \$112.75, for its 217-million fully diluted shares.

Why does it matter? To many investment professionals, the ascendancy of Microsoft and the decline of IBM reflect the sea change in the technology world that has made the sector one of the most turbulent in the stock market for more than a decade.

"This is an unbelievable reversal of fortune," says Salomon Brothers chief equities strategist David Shulman. "Microsoft was just a tiny company 15 years ago, and IBM ruled the world."

Furst Albany chief investment officer Hugh Johnson added: "This shows us that value in the technology busi-

ness is added by software, not hardware."

Analysts say powerful technological changes have made it inevitable that IBM would lose its premier position in the computer industry.

"For the past five years, technology has been moving in the direction of removing the mainframe as the 'computer power source,'" says Rick Sherlund, a technology analyst at Goldman, Sachs & Co.

In addition, no single company like IBM can today do everything well that is required in the highly competitive, fast-changing world of computers, Sherlund says. Rather, it is the highly specialised companies, supporting one another, that are powering the industry.

Many money managers say that, at least psychologically, Microsoft long ago supplanted IBM as the leader in the technology arena, regardless of the companies' relative stock market value. "It is the nature of the computer industry that one company be the leader, and that company is Microsoft," says Roger McVernae, a money manager at Integral Partners.

Certainly, IBM has lost its leadership role in the overall stock market. Johnson points out that years ago when investors would ask him how the stock market was doing, the first thing he would check was IBM stock's performance.

"Today, I do not even look at IBM," he says. "I have to look at Microsoft, Intel, Merck and several other companies. That tells me that life is a little tougher these days. It is more complicated."

That does not mean IBM could not be a stock market success again — if it broke itself up into separate companies, some analysts say.

Peter Canelo, chief market strategist at County Natwest, says one of IBM's biggest problems is that the company never knew how well its separate businesses were doing.

IBM has a reasonably good semiconductor business, and their service organization is reputed to be the best in the business," he says. But he adds that "their software might be less successful and their mainframes might not even survive" if spun off as separate companies.

And do not think that Microsoft would necessarily hold the stock market mantle forever, either. Intel is nipping at its heels, Canelo notes that as computers have become smaller, Intel's semiconductor chips "have become the computer for all intents and purposes."

Furst Albany's Johnson points out, too, that the latest trend in computer technology is networking, a field in which Novell excels. "It is not as though Microsoft is on some pedestal that cannot be upset." — AP-DJ.

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B/DAY 18/1/93, (62)

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# Get a new chief, critics advise embattled IBM

NEW YORK — For John F. Akers, the pugnacious ex-navy pilot at the helm of IBM, the din of opposition is getting louder than ever, the Wall Street Journal reported yesterday.

As IBM prepares to report record losses today, The Economist and Fortune Magazine have both declared the computer giant needs a new chief to rescue it from a mounting crisis.

The powerful California state-employee pension fund has won a rare meeting with IBM's outside directors, and its chief, Dale Hanson, says he wants them to do more than "just putting their arm around Akers and saying 'he's our guy'".

Meanwhile, two ex-IBM managers are circulating anti-Akers manifestos — and winning audiences.

America's most famous ex-IBMer has also surfaced in the Akers drama. "It breaks my heart that they're having to go through this," declared Ross Perot. "If there's something I could do for IBM, well, I owe them that forever," he added.

None of these crusades necessarily pose a threat to Akers. So far institutional investors haven't mounted the kind of well coordinated campaign that catalysed changes at Westinghouse Electric, Sears, Roebuck & Co and others. IBM directors publicly backed Akers last fall and have re-

fused to discuss the subject since.

Akers himself wouldn't comment on his latest critics. The embattled CEO has repeatedly insisted that he has his board's support and might even stay at IBM past December 1994, when he reaches IBM's traditional retirement age of 60.

"John Akers has the full support of IBM's board," an IBM spokesman reiterated on Sunday.

But the noise level of opposition promises to keep rising this month. IBM will today announce the most disastrous financial report in its 79-year history. Massive charges for shedding employees and equipment will bring more than \$3bn in 1992 losses. For the traditional blowout fourth quarter, Akers has predicted only break-even results. Some analysts think the quarter will actually show a loss, which could drive IBM's stock even further below its recent 17-year lows.

IBM closed at \$48.25 a share, down 50c, in composite New York stock exchange trading on Friday. The spotlight will stay on IBM next week, when its board meets on January 26. One agenda item will be the \$4.84-a-share annual dividend, which Akers last month warned was in jeopardy. Right now, Wall Street is betting the payout will be cut in half. — AP-DJ.

## BUSINESS

**WHEN** IBM's blue-suited salesman calls, potential buyers must now ask an awkward question: "How do I know your company will still be around in five or 10 years?"

The company that for decades has been the safe choice in the turbulent computer industry — supposedly "no one ever got fired for buying IBM" — is fighting for its life. In five years' time it will not be around in its present form, and in 10 years or less, some parts of it will not be around at all.

While that might be the natural fate of a has-been company in a declining industry, few would have expected it to happen to the company that dominates one of the world's fastest-growing industries.

It is supposed to happen to companies that do not plan for tomorrow, not one that spends \$6-billion a year on research and numbers Nobel prize-winners among its staff. It is supposed to happen to cowboy outfits run by swindlers, not to the sober-suited, upright bastions of (mostly) white, middle-class America.

Nemesis struck in December when, after an emergency board meeting, IBM said it would make a \$6-billion provision against earnings to cover the cost of shedding another 25 000 staff, closing factories and cutting back operations. Last year,

# Rearranging the deck chairs on the IBM and Titanic

IBM shed 40 000 staff, wrote off \$3.4-billion in such charges and ended up with a \$2.83-billion loss, the first in its long history.

On Tuesday, "The Big Blue" revealed a pre-tax loss of \$9-billion for 1992, as a slump in hardware sales was compounded by the \$11.6-billion cost of reducing its global workforce and manufacturing capacity.

Its operating profits totalled just \$3.4-billion on turnover virtually unchanged at \$64.5-billion. But this was more than wiped out by the restructuring costs. However, one-off accountancy changes improved the bottom line figure, reducing the net loss after tax from \$6.86-billion to \$4.96-billion. IBM lost \$2.86-billion the previous year, the first time it had made a net loss.

Wall Street reacted predictably. After the December announcement, investors dumped 25-million shares of IBM stock. Shares which had been worth more than \$100 apiece in July went below \$50 in December, wiping billions off the value of the company. Just before the results came

out, they touched \$46, a 17-year low.

In 1990, IBM had been America's most valuable corporation, heading Standard & Poor's 500 Index. In December it slumped to 15th. The firm once worth \$106-billion was, at the year's end, worth less than \$29-billion, and it had about \$29-billion of debt.

The share price matters now that IBM's stock market value is less than its "book value", which was \$62 per share on September 30. And while its huge \$65-billion turnover probably makes it immune from 1970s-style asset-stripping (where someone takes over a company, flogs off the best bits, closes the loss-making operations and pockets the profits), it is not immune from being broken up to release what Americans call "shareholder value". Indeed, IBM plans to forestall the knacker's yard by doing this itself.

In November 1991, IBM's chief executive, John Akers, announced a plan to break the monolith into 14 separate companies, each responsible for its own destiny. Those formed so far include Adstar, a disc drive business, Pennam Systems,

22 1 - 28 11 92.

While smaller outfits forge

ahead, IBM — the company

which has dominated the

computer industry for years —

is heading for disaster and there

doesn't seem much that can be

done to save it.

By JACK SCHOFFIELD

the high-end printer business, and the IBM Personal Computer Company. But this approach may be doomed to failure, because IBM has left it perilously late.

Akers wants to float off some of the separate units, which would issue their own shares. However, financial regulations require three years' trading figures for such companies. IBM has not got them, and might hit the rocks before it has.

And if you think this is bad, there is worse to come. The bulk of IBM's sales still derive from the mainframe — which

also produced most of its profits (when made them). Most of IBM's software, services and datacoms business is associated with mainframes. And the traditor mainframe is on death row. As Akers — former mainframe salesman — observes: "Customers more and more prefer smaller computers."

According to Datamation's figures IBM's sales of mainframe processors fell from \$14.5-billion in 1986 to \$9.1-billion in 1991, while the data processing industry grew from \$17.7-billion to \$29.0-billion. IBM admits that sales of mainframes have fallen 10 percent this year — hence its financial problems — and will fall again next year. And as mainframe sales fall, sales of mainframe drives, printers and services are likely to suffer.

In its December announcement, IBM left Wall Street analysts in no doubt if the mainframe was the target of its cost-cutting measures. Mainframe chip manufacturing, research and development support were all to be cut back.

The death knell of the mainframe could be the death knell of IBM. This is n



**BUSINESS**

# 62 (1990) (1989) (1988) on the Big Blue

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According to Datamation's figures, IBM's sales of mainframe processors fell 11.4% to \$14.5 billion in 1986 to \$9.1 billion in 1991, while the data processing industry grew from \$177 billion to \$290 billion. IBM admits that sales of mainframes have fallen 10 percent this year — hence financial problems — and will fall in next year. And as mainframe sales of mainframe drives, printers, software and services are likely to suffer. In its December announcement, IBM Wall Street analysts in no doubt that the mainframe was the target of its cost-cutting measures. Mainframe chip manufacturing, research and development and support were all to be cut back. The death knell of the mainframe could be the death knell of IBM. This is not

because personal computers are taking over, though they are. It is not really because big computers are going out of fashion, though that is also true. It is because the microprocessor — the "computer on a chip" invented by Intel two decades ago — is finally capable of doing mainframe-sized tasks for a fraction of the cost.

Of course it is not the power of the microprocessor that is a threat: it is the effect on prices and profits. IBM's gross margin on a \$1-million mainframe is thought to be 80 percent or more, providing a gross profit of \$800,000. The margin on a \$100,000 microprocessor-powered Unix box doing the same job might be, say, 50 percent, providing a gross profit of \$50,000. The margin on a \$2,000 PC is closer to 30 percent, each sale providing a profit of \$600. So, to replace each \$1-million in mainframe sales, IBM would need to sell 16 mainframe-class minis (more than 320 for one ES/9000-900 behemoth) or about 1,500 PCs to earn the same gross margin.

It cannot be done. Even if IBM's minis, workstations and PCs were wonderfully

successful, they could not replace a \$35-billion mainframe business. Nor could they support the same huge sales staff, the research labs and the endless bureaucracy. The result must be a smaller, and less powerful, IBM.

The awful thing is that IBM has been on course for this particular disaster for years. When its shares were surging towards \$175, I compared IBM to an ocean liner entering an age of jumbo jets, concluding: "It really has no choice except to sail majestically ahead towards the rocks, and hope nobody notices its competitors are learning to fly."

Of course, an astute management could have prepared for disaster by launching Baby Blue and "open systems" (Unix) life-rafts in 1987. But IBM had determined that it was going to be a \$90-billion company by 1990, and a \$200-billion company by 1994, so it invested heavily in mainframes and sailed blithely on. It was accompanied by numerous "buy" recommendations from Wall Street analysts, and copious press coverage of "the new IBM".

The reality has been that shareholders have seen \$75-billion in equity vanish, more than 100,000 IBMers have lost their "jobs for life", and there are further cuts to come. — The Guardian



RIGHTFORD, SEARLE, TRIPP & MANN 2

...never again...



# Mandela raises \$300 000 during US trip

<sup>B(DAM) 22/1/93</sup>  
WASHINGTON — ANC President Nelson Mandela heads back to SA today having raised at least \$300 000 for the movement during his four-day visit to attend US President Bill Clinton's inauguration.

Apple Computer chairman John Sculley, who met Mandela on Wednesday to discuss his firm's return to SA after a six-year absence, contributed \$10 000.

ANC international department deputy director Aziz Pahad said "actual cheques" had been donated, rather than breakable pledges.

Much of the money was contribut-

<sup>(62)</sup>  
SIMON BARBER

ed at a welcoming lunch for Mandela at Washington's Metropolitan Baptist Church on Tuesday after the Rev Jesse Jackson announced he was soliciting donations for the ANC.

Mandela, who kept a low profile during his stay, met Clinton briefly at an inaugural ball on Wednesday night. He was scheduled to see newly confirmed Secretary of State Warren Christopher yesterday.

Sculley, who has played a key role in rallying Republican-leaning cor-

porate chiefs around Clinton, appeared anxious to see Mandela.

Apple has been seeking the ANC's blessing to return to SA without breaking US state and local sanctions. It is anxious to salvage market share from manufacturers of IBM-compatible equipment and software.

Pahad said Mandela was meeting a number of US corporate representatives and was using his stay in the US less to conduct official business than to drum up future investment in SA and material support for the ANC's election drive.

See

# Local man takes over the reins of subsidiary

Bloom 28/1/93

(62) (1993)

JOHN Lack is stepping down as MD after setting up Microsoft's new SA subsidiary and is returning to take a senior position at Microsoft's US headquarters.

He is handing over the reigns to Rob Katz, previous head of KPMG Aiken & Peat's IT practice.

The appointment of a South African to take the helm is in line with Microsoft's worldwide policy of having local management in place at all subsidiaries.

Katz was selected for the position because of his strong knowledge of SA's IT industry, his strong general management expertise, and his proven management skills with growing organisations in the face of changing times and technologies. Another important factor was his people management skills and good customer focus.

Katz says: "Because we are looking for exceptional growth in SA, customer commitment and client communication is vital."

Strong teamwork, com-

mitment and knowledge of where the organisation is going will be key focuses for Katz.

Various strategic issues will be addressed over the next few years. "Firstly, we will be focusing on educating our distribution channels and developing close working relationships with our large users. A special programme will be instituted for our solution providers, who play a key role in making users aware of the full range of solutions available from Microsoft.

"We will also be making life easier for our distributors, large users, technical people and solution providers by working in close partnerships with them."

Product support will take a top priority in strategic thinking.

"It is essential to have a strong client orientation so client expectations are managed and staff are able to deliver the goods."

Because of its decision to await the collapse of sanctions before entering SA, Microsoft is something of a latecomer, although its un-

official distributor Workgroup Systems played a key role in establishing Microsoft in SA.

Over the years, Microsoft became a strong player in areas such as operating systems, LAN Manager and SQL Server. In application programs such as spreadsheets and word processing, penetration in the SA market is low compared to other countries, but this is being addressed.

## Exploited

"With a full Microsoft subsidiary now in SA, there are many opportunities which can now be exploited to their full extent.

"Significant expenditure on advertising and marketing, direct links with the US for technical support, and development of our staff and distribution channels will help to promote the full range of products in SA."

With large-scale support efforts, Katz expects to make major gains in the corporate market, educational institutions and other key areas.

"In tandem with our

marketing and support drives, we are implementing a strong affirmative action programme. This is in line with the Sullivan Code which audits and examines such programmes on a continuing basis.

"Social responsibility frameworks are being developed to ensure maximum returns for communities in proportion to the amount of money spent.

"We plan to educate a wide range of people in the use of IT, ranging from business people to teachers and students. The programme will be extensive, and will reach out beyond simply providing bursaries to students at prestigious universities; we want to touch the communities themselves."

"As needs change in communities, the framework will be altered to meet changing expectations. We will provide money, products and expertise to ensure involvement as opposed to simply offloading products at a site and expecting people to utilise them."

# Few blacks in top posts of American firms in SA

62  
JAN 23 11 93  
JEAN LE MAY, Weekend Argus Reporter

MANAGERIAL jobs were held last year by fewer than three percent of blacks employed by American companies in South Africa, according to the latest report of the signatories to the "Statement of Principles for South Africa", which used to be the Sullivan Code.

The low percentage is a far cry from what the Rev Leon Sullivan wanted when he drew up the code in 1977, laying down that 50 percent of job vacancies should be filled by what the report calls BCAs.

This, and other disclosures in the report, gives rise to the question: what has the Sullivan Code, and its successor, the "statement of principles", achieved in the 16 years since it was devised?

Sanctions, which bedevilled the South African economy for so many years, could be on their way out now that Mr Nelson Mandela and Archbishop Desmond Tutu have conditionally agreed they should go.

It could take time and, although nobody is saying so out loud, the lifting of sanctions would mean that American companies in South Africa could have another reason for rejoicing apart from doing more business.

When Mr Sullivan, a Baptist clergyman from Philadelphia who was active in the anti-apartheid movement, dumped the code and campaigned for outright disinvestment in 1987, the Arthur D Little company of Massachusetts took over as watchdog over the signatories. It also produces the annual report.

In its latest report, the Little company had some reproving words on the dearth of black managers.

"Companies must strive to change the situation," it said.

This sanctimonious attitude, among other things, could help to explain the disenchantment of some companies with what many think is a simplistic response to complex problems.

Some companies have withdrawn as signatories and elected to report instead direct to the State Department.

Mr Mel Palmer, human resources manager of Engen, said that the Mobil Corporation of the US had been a signatory and Mobil SA had had to buckle under to the demands of the "principles".

"When Mobil disinvested and Mobil SA was sold in 1989, the shackles were removed," he said.

"The 'principles' had to have ground rules, but the moment you have ground rules they become restrictive. Once we were unshackled we could decide for ourselves where to spend our money and what we thought should be done."

At one stage, when it was still subject to the ground rules, Mobil SA had disagreed on the implementation of one of the "principles" concerned with education, he said.

Although its programme had actually gone much further than that laid down by the "principles", non-compliance led to Mobil being downgraded in Arthur D Little's annual assessment of performance.

"The American response seems to be based on paternalism and throwing money at a problem," he said.

"We did not agree that a group of assessors who lived in the US and visited South Africa once a year knew better than we did what to do, or better than the people most involved — the employees themselves."

Mr Arthur Swartz, chairman of the Western Cape regional committee of the signatories' association, said that the signatory companies were looked on as leaders in applying affirmative action programmes.

"Certainly they were much more innovative and directed than others," he said.

"They identified, for instance, that there should be a spread of support for education at all levels, from primary right through to tertiary.

"Overall, they took positive steps towards improving the quality of life of disadvantaged communities. Now South African companies have become involved in affirmative action and social responsibility programmes: corporate social responsibility is getting a lot of attention."

# Civic bodies to take on local authorities over water cuts

WILSON ZWANE

TOWNSHIP civic organisations are to take up cudgels against local authorities trying to break rent and services boycotts by cutting the water supply to residents. *BLOOM*

The Civics Association of Southern Transvaal (Cast) said at the weekend it would take an "appropriate" measure to ensure that water supply and all other services rendered in townships were depoliticised. *25/11/93*

Cast publicity secretary Pat Lephunya said his organisation was concerned that local authorities, who had been cutting power in an attempt to break boycotts, were now cutting the water supply.

Lephunya said negotiations were necessary between the civic movement and water boards, with a view to getting the water suppliers to supply directly to township residents, rather than via local authorities.

Cast general secretary Dan Mofokeng said although the rendering of services to townships would be dealt with at a local government negotiating forum, to be launched in the near

future, an "appropriate measure will be taken against the councils, which are discredited and which use water to prolong their lives".

Town councils of Vosloorus and Katlehong, on the East Rand, recently reduced water supply in an attempt to get residents to pay their accounts. *(62)*

Civic organisations have so far been negotiating with Eskom to take over the electricity supply in all townships. Cast general secretary Dan Mofokeng said recently the transfer of supply rights to the utility was necessary in the transitional period. Once the "mess" at local government level had been cleaned up and once nonracial local authorities had been installed, the matter would be reviewed.

Negotiations with Eskom began after it had become clear to civic organisations that local authorities were trying to break rent and services boycotts by cutting electricity.

*BLOOM 25/11/93*  
**Five mourners killed in attack**

DURBAN — Five people were killed and about 15 wounded in Amoati, north of Durban, on Saturday in an apparent revenge attack on a group of mourners.

A police spokesman said the attack was in revenge for a massacre two weeks ago in the area. The victims were on their way home from a funeral. *(62)*

At Mlahlankosi in Imbali, near Maritzburg, churchgoers were scattered yesterday by ANC and Inkatha supporters who started shooting at each other.

Police, alerted by reports of violence in the Zinkwazi/Mdabanzane area, dispersed the groups of about 25 people each.

In the Transvaal, a man was reported killed and another wounded during the funeral of the wife of clergyman Solomon Khumalo in Katlehong on Saturday.

Police spokesman Brig Malherbe said the two victims were found in a house.

Police arrested an unknown number of suspects after SADF members pulled over a car near the graveyard that was later discovered not to be part of the procession.

They arrested six other suspects travelling in a car and confiscated several firearms while patrolling the township.

In Ratanda township near Heidelberg, a man was killed and two wounded on Friday in a shooting incident.

In Soweto, gunmen opened fire on a police patrol car on Saturday, killing a police dog and wounding another, police said. Two officers were also wounded in the shooting in Meadowlands. — Sapa.

# Parents to sue US firm over Sabax drips

SUSAN RUSSELL

THE parents of one of the babies who died after being administered allegedly contaminated drips at a number of Johannesburg clinics confirmed yesterday that they were pressing ahead with a R60m claim for damages in the US. *BLOOM*

Anna Flocchi said her husband Marco had signed a mandate on Friday giving Johannesburg attorney Chris Bean the go-ahead to institute a claim against Baxter Travenol Inc, the US supplier and licensee of Sabax in SA. *25/11/93*

The Flocchis' baby son Roberto died in August 1990 after he was given a Sabax drip at the Park Lane

clinic. *(62)*

Flocchi said as far as she was aware Bean had been instructed to claim damages on behalf of the parents of 20 babies who died from contaminated drips during 1990 and in September last year. She said \$1m (R3m) was being claimed in respect of each of the 20 babies.

An inquest held in the Johannesburg Magistrate's Court found that no one could be held responsible for the deaths of the 12 babies who died from the contaminated drips in 1990.

...the ANC would ensure that an inquiry...  
...this year shortages...  
...likely to occur over the next two to...  
...three years, because farmers would have

# Software giant gets official presence in SA

THE WORLD'S largest software company, Microsoft Corporation, today officially opens the doors of its SA subsidiary, Microsoft SA.

Despite never having had an official presence in SA, Microsoft's products are household names, with the MS-DOS operating system the standard for PC users across the country.

MD John Lack says that once sanctions eased, the corporation recognised the importance of opening a local subsidiary.

"The business — through Workgroup Systems and various grey marketeers, had grown to such a large size that market demand for an official presence was clear. Microsoft also saw the market potential necessitated the opening of a full subsidiary in SA."

## Appointed

Workgroup Systems was appointed Microsoft's first distributor in November 1991, and last year TSD Software was chosen as its second.

Because of its success in southern Africa, the subsidiary is Microsoft's fastest growing subsidiary worldwide. By the end of the first quarter this year, its staff complement will exceed 30.

With the widely publicised brain drain in SA, Lack says there was some nervousness about finding the calibre of people required by Microsoft, but fears were short lived. "We have been very impressed, especially because they have shown high levels of commitment, good technical knowledge and a sound knowledge of the market," he says.

Microsoft will be working closely with its two dis-



ROB KATZ

tributors. The various channels through which products are available are set up to ensure service, support, up-to-date technical information, early availability of latest product versions, improved facilities for licensing and licensing agreements, and good channels for listening to customer needs.

For larger Microsoft users, on-line links are in place with Microsoft's US headquarters, unlike some SA competitors, which must deal with their European offices before their US headquarters.

The corporation has big plans for SA and the region.

Starting tomorrow, roadshows to educate users about Windows and its uses and benefits will be held in major cities throughout SA.

SA is being utilised as a launch pad into sub-Saharan Africa and the company is seeking staff to manage its external activities.

"Distributors are already in place in Nigeria, Kenya, Namibia, Malawi, Zimbabwe, Botswana and other countries."

Generally, Lack says SA is slightly behind other major Western countries in its swing towards Windows, but this is changing rapidly.

"The delay could be because of the time it has taken for 386-based PCs to fall in price in SA, but also because Windows has not been promoted fully in SA."

For these reasons, there are high expectations for massive Windows sales in SA in the next few months.

The swing to downsizing from mainframes to smaller computer systems has also been slow in SA, but Lack predicts that as SA industry moves to improve its competitiveness in global terms, more technology will be harnessed to improve efficiencies.

As far as Microsoft's application products are concerned, he says that worldwide the corporation holds almost 40% of the spreadsheet market, but this is not mirrored in SA where a large proportion of users are still utilising traditional spreadsheet programs. However, market share is increasing.

Worldwide market share for Microsoft's word processing system, MS Word, is close to 35% and Lack estimates SA market share could grow to a similar level through aggressive marketing and bundling of products.

"The introduction of our Access database has been well-received. It is aggressively priced at R399, so is geared to take market share from some of the traditional suppliers."

## Attract

Looking ahead to Windows NT which is scheduled for release in May, he says many SA corporations are on the beta test programme for the system, and it is expected to attract a wide following. Many Unix houses are already porting applications onto



JOHN LACK

the program, and 65 000 software developers' kits have been sold for NT, so there will be no shortage of applications ready to harness the new version when it is launched.

Also new from Microsoft is DOS Version 6, which should be on SA's streets within the next few months. This has a number of enhancements over other DOS versions and is easier to use. It also has facilities which double disk capacity and has built-in virus protection.

Having set up the SA subsidiary as a temporary assignment, Lack is now handing over the office to new MD Rob Katz. "This is in line with Microsoft's worldwide policy of having local management in place. I will return to Microsoft in the US to take up a senior post in the corporation's channel marketing division," he says.

## Excel version 4.0 shows off its excellence

MICROSOFT recently released Microsoft Excel version 4.0 for Windows and Microsoft Excel version 4.0 for the Macintosh.

Excel has topped all other spreadsheets in testing conducted by the National Software Testing Laboratories. In tests comparing Microsoft Excel 4.0 for Windows with Borland International Quattro Pro for Windows and Lotus 1-2-3 for Windows, Microsoft Excel achieved the highest

program ratings for an overall evaluation of 8,5.

Excel 4.0 for Windows also received the highest marks for overall usability (9,3), overall ease of use (9,4) and overall versatility (9,1), among other cudos.

Excel version 4.0 for the Macintosh also won the highest overall rating (8,2), topping Lotus 1-2-3 for Macintosh and Claris Resolve in overall evaluation.

Microsoft Excel 4.0 for

the Macintosh also won in overall usability (9,4), overall versatility (9,2) and overall quality (9,0).

Microsoft SA sales and marketing director Arthur Williamson says: "It shows that Microsoft has listened to users and what they want."

TSD Software GM Renee de Jong says that although the Macintosh has traditionally been a desktop publishing system, it is now providing more generalised

business applications. Products such as Excel, which have a large percentage of the Macintosh spreadsheet market, are helping to position the Macintosh as a serious contender in the general PC market.

"Their systems are now being incorporated in the enterprise-wide PC environment through products like electronic mail which can communicate between PCs and Macintosh systems," she says.

**MENS  
DORF**

# US group slated for tobacco links

KATHRYN STRACHAN

LOCAL anti-smoking groups have attacked a visiting US-based organisation, Healthy Buildings International (HBI), for serving the interests of the tobacco industry and opposing local initiatives for smoking controls.

Healthy Buildings International director Simon Turner told a media briefing in Johannesburg yesterday that his organisation's survey of office environments in the city concluded that 72% of office workers experienced symptoms associated with the "sick building syndrome".

But Medical Research Council spokesman Dr Derek Yach said that while the organisation billed itself as an indoor environmental consulting firm it did not disclose its tobacco industry links. *5/0AM 26/1/93*

"Their efforts have ranged from trying to convince businesses not to adopt 'no smoking policies' to influencing governments not to pass clean indoor air laws," said Yach. *(62)*

The organisation had been active around the world in supporting smokers' rights groups and business coalitions to defeat specific tobacco control initiatives, said Yach, adding that Turner was the son of the head of the Tobacco Institute of Hong Kong.

National Council Against Smoking executive director Dr Yussuf Saloojee said the organisation had targeted SA at a time when government was preparing to pass legislation controlling smoking in public places.

Saloojee said the dispute arose over the methods to purify indoor air. While the HBI advised employers to upgrade their ventilation systems without implementing smoking controls, the anti-smoking lobby claimed most ventilation systems could not filter out nicotine particles. *(62)*

# IBM looks for new CE after \$4.9-bn loss <sup>(62)</sup>

SAN FRANCISCO — IBM yesterday said John Akers would step down as chief executive.

IBM also announced that its quarterly dividend would be slashed from \$1.21 to 54c, the first time the company has cut its payout to shareholders.

In an unprecedented move, IBM said the search for a new CE will be conducted outside the company as well as within the

ranks of IBM's executives.

The management shake-up and the dividend cut reflect the severity of IBM's problems and rising pressure from shareholders.

Last week IBM reported a net loss of \$4.9 billion on sales of \$64 billion for 1992, the largest annual loss in US history, after taking restructuring charges of \$11.6 billion to cover the cost of

40 000 job cuts.

The management changes were widely seen as a signal that IBM was prepared to take radical measures to return the company to profitability.

The dividend cut, although clearly a disappointment to shareholders, had been expected after last week's earnings announcement. — Financial Times.

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# Unquestioning arrogance' IBM's downfall

IBM did not question the factors which made it rich; it was arrogant, and was not in tune with shifts in market and user demands. These are the views of Andersen Consulting Europe director of marketing and communications Roy Dingle, who spent 20 years at IBM in various top positions.

Dingle, visiting SA to address next week's Telkom '93 conference in Cape Town, said in an interview that up to two years ago a large mainframe-based computer which handled order processing at IBM's UK PC facility was costing more to process each order than Big Blue was making in profit from the sale of a PC.

"Like many of the world's most successful companies in the '80s, IBM did not question the assumptions that made it rich. IBM did not question the fact that mainframes had made it rich, and their ability to continue doing so."

He said companies which were successful in the '80s were probably the most vulnerable today because they needed to re-engineer their entire operations.

"There have been many fundamental changes in business. Forty-seven percent of Fortune 500 companies in 1980 are no longer on the list." Only three computer companies ranked in the top 10.

"The worldwide economic slump has forced serious cracks to appear in organisations. In 1991, business failures in the US and UK increased 40%, redundancies in the US were up 39% and business bankruptcies in the UK in 1992 increased by 47%."

IBM and other companies had been treating the components of the organisation as separate parts instead of holistically. People, processes and technology had to be seen as integral parts of any company.

"For example, with technology prices falling by 15% to 20% over the past decade or more, many companies simply throw technology into automating their existing processes.

"Processes then get moulded in silicon' and this can inhibit change, because the processes themselves have not been re-evaluated and changed to deal with new market and customer

# 'Unquestioning arrogance' IBM's downfall

needs. Companies like Rank Xerox and Apple have managed to re-engineer the way they do business, and are now reaping the rewards with sharp turnarounds."

Dingle said IBM started losing ground about five years ago. It slipped out of Fortune's ranking of most admired companies, which affected staff morale and customer service.

When CEO John Akers started his massive redundancy and layoff programme, staff management ratios increased, also affecting morale and customer service.

"What is now needed is a flatter organisational structure, and a change of culture among staff — as well as better customer focus."

He said IBM, in a fast-growing, unpredictable market, did not make the right assumptions about the future. For example, it did not see the important position which workstations and networking would command.

"Companies must always be questioning the assumptions that made them rich, and not rest on their laurels."

# Novell to launch SA operation in March

THE list of US-based computer vendors opening their doors in SA has grown with news that Novell is to launch its SA operation in March.

SA manager Richard Beytagh says negotiations are still under way on whether the SA office will be a full subsidiary or not. Tax and other considerations will determine this.

Apart from political changes having made the move into SA "easier", he says Novell has always kept a strong presence in SA and business has now grown to a size where it can sustain the costs of a local operation.

SA sales are around levels reached in countries like Switzerland, Austria and Italy.

In terms of network operating systems and related services, Beytagh says Novell has about 74% market share worldwide. The group has about 20-million Novell Netware users.

Denying that the local operation is a snub to distributors and resellers, he says Novell SA will concentrate on presales, marketing and high-level technical support.

Official SA distributors are Lasernet and Altech Data subsidiary LAN Design. Lattice Technologies is an associate distributor and Centre Group distributes Novell's development products.

LAN Design MD Roy Wittert says he welcomes Novell's entry. "Novell has been sending out lots of presales and technical staff over the past year, and we reckon if Novell looks after presales and marketing functions, and provides a co-ordinated marketing effort, distributors

62  
Reports by  
MELANIE SERGEANT

will be better positioned to do their job."

Looking at general market trends, Wittert says Microsoft's Workgroup for Windows has had a significant impact on the networking market, and although some sales have been lost for Novell, it has had a worse effect on products like LANtastic.

Regarding the much-mooted war between Novell and Windows NT, both Wittert and Beytagh say no vendor can own full installations.

Beytagh says Microsoft is keen to entrench itself in corporate accounts, but the trend will be for suppliers to work together, rather than there being single-vendor site ownership.

"With our massive worldwide user base, Microsoft will need to work with Novell to break into new sites," he adds.

At a news conference this week, Santa Cruz Operation territory manager Greg Bogochwalski said the past year had seen greater customer demand for Unix-based systems on their desktops.

The fact that Novell was deciding whether to buy Unix Systems Laboratories which would give it control of AT&T's Unix System V Release 4.2 indicated it would have an open solution and a strong alternative to Microsoft Windows NT, due for release later this year.

Bogochwalski predicts a major war in the LAN market, because NT was targeted to compete head-on with Netware.

# IBM reports US record

## losses of \$9bn

Guardian | W in w/mant

By Nicholas Bannister

29/11-4/2/93

IBM has reported the biggest loss in American corporate history following huge restructuring costs associated with its struggle to come to terms with rapid change and savage competition in the computer industry.

The computer giant revealed a pre-tax loss of \$9 billion — around £5.84 billion — for 1992, as a slump in hardware sales was compounded by the \$1.6 billion cost of reducing its global workforce and manufacturing capacity. The previous year, the company made a pre-tax profit of \$118 million.

Losses at IBM United Kingdom, where 1,000 jobs are due to go this year, grew from £124 million to a record £616 million during 1992. They included a provisional £218 million for restructuring, a figure which may increase if IBM's review of global manufacturing results in further job losses in Britain.

John Akers, IBM's chairman, said the results were "not acceptable" to the board of shareholders. The company was addressing "the accelerating changes sweeping our industry, while adjusting for weakened business conditions throughout the world."

Aggressive action was being taken to improve competitiveness and profitability, including reallocating resources to growth businesses, increasing the autonomy of the operating companies, and reducing costs. Last year IBM cut its workforce by more than 40,000 and is planning to shed a further 25,000 this year.

Its operating profits totalled \$3.4 billion on turnover virtually unchanged at \$64.5 billion. But this was more than wiped out by restructuring costs. However, one-off

accountancy changes improved the bottom line, reducing the net loss after tax from \$6.86 billion to \$4.96 billion. IBM lost \$2.86 billion the previous year, its first net loss.

The prospects for the group, which once dominated the world's computer industry, are grim. It moved into the red at the operating level for the first time during the last quarter of 1992, with hardware sales falling by 20 per cent.

IBM has been dependent on the sale of mainframe computers for the bulk of its profits, but this market fell 16 per cent last year and is expected to decline further. IBM said sales of its mid-range AS/400 computers also fell during the last quarter — by "double digits".

Sales of personal computers are improving following the launch of a new range, but the low profit margins will do little to offset the loss of the mainframe business.

The group is seeking to shed its image as a hardware manufacturer by closing or selling off some manufacturing operations and investing in its software and services business. Mr Akers said non-hardware operations accounted for 48 per cent of revenue in 1992, against 43 per cent the previous year.

Nick Temple, chief executive of IBM UK, said that despite the disappointing result for 1992, the British subsidiary was planning a return to "very modest" profitability by the end of 1993. He expected France, Germany, Italy, and Spain would bear the bulk of any further reductions in IBM's manufacturing in Europe, claiming that the two British plants, at Havant, Hampshire, and Greenock, Strathclyde, were highly competitive.

# IBM sets its sights on this being 'the year

THIS year is set to be "the year for OS/2" if IBM has its way — and if more computer users decide to swing to it than others such as Windows or Unix.

Worldwide, 2-million copies of OS/2 were sold up to the end of last year, with sales split almost evenly between the US and other countries.

IBM personal systems software brand manager Denis Lock says SA has an "above average penetration of OS/2".

US research firm Forrester Research says favourable early reviews and loyal IBM customers are breathing new life into the operating system.

The firm says more than 40% of 100 Fortune 1000 companies say their interest in the operating systems' version 2.0 is rising.

The product's communications and networking features, its multitasking capabilities and its suitability for downsizing core business applications, are cited as reasons for using OS/2.

The researchers predict that by 1995, Windows NT will account for only 10% of the "super client" operating system market.

ISM's Lock says that traditionally, OS/2 was chosen by corporations doing in-house application development, and about 75% of OS/2 packages are still sold to large corporations. Price Waterhouse, for example, bought 20 000 copies for worldwide use.

"An exciting development is that 25% are going to small companies and individual users, showing that the new version is moving beyond the domain of large corporations."

He says the much-touted

problem of a shortage of applications available for OS/2 is no longer of concern. "The system runs existing DOS applications, and included in OS/2 is the MS Windows 3.0 'kernel', so OS/2 can run Windows applications, of which there are thousands.

"These run in a multitasked, fully protected environment where one Windows application won't corrupt another in any way," he says.

## Protected

OS/2 will also run existing 16-bit OS/2 applications, ensuring that massive investment made by corporates in these applications is protected.

Applications which specifically exploit the advanced features of the systems' 32-bit architecture have been delayed, but IBM set itself a target of having

1 000 exploitative applications for OS/2 2.0 ready by the end of last year. At Comdex in October, there were 600 applications available, and the year-end target was exceeded, with 1 100 32-bit applications now available from about 500 independent software vendors.

"Given the fact that there is now a full 32-bit graphics engine available, OS/2 is a full 32-bit operating system. The 16-bit parts of the application are still in the system so it can work with DOS and Windows packages," Lock says.

The new version of OS/2 will have increased support for mobile computer users, multimedia, and pen-based computing, he says.

"IBM has stated its strategy for OS/2, which is based on a future encompassing Intel and Reduced Instruction Set Computing archi-



DENIS LOCK

tures.

It has also increased emphasis on object orientation, which will be in the heart of the operating system itself.

"It is a future which includes taking OS/2 and its interface up and down from palmtop computers to large server-based systems using multiprocessing and special security features."

Many critics are excited about the future of OS/2, and stress that the war in the operating systems market has not yet been won, despite the massive penetration of Microsoft's Windows.

BIOM 29/1/93

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# Expo sets out to encourage trade

BIDAM 4/2/93  
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WASHINGTON — ANC-aligned Thebe Investment Corp is backing a major trade expo in Johannesburg next September to promote US exports to SA once the ANC has called off remaining state and local boycotts.

The event, titled Made in USA, is being organised by SA marketing specialist David Altman, who set up last year's successful Contact Kenya expo for SA exporters in Nairobi.

"The logic behind it is that if SA wants to attract US investment, it must first encourage trade," he said.

He has sent lavishly produced mailings to 20 000 US firms, trade associations and state trade development agencies, hoping to attract exhibitors with a \$14 900 package deal that includes booth facilities at the World Trade Centre, air fares and side trips to a game reserve and the Lost City.

One of his key selling pitches is that billions of dollars in external finance will begin flooding into SA as soon as an interim government is in place.

He claimed this would include \$2,6bn in project finance from the World Bank and other development agencies between 1994 and 1996, \$2,1bn in balance of payments support from the IMF, and \$5,5bn in new loans from the private capital market.

He said the expo would also promote regional opportunities.

SIMON BARBER

Representatives from 34 African countries were due to attend.

The mailing contains a statement from Thebe, an official co-sponsor, inviting US firms "to take a look through the window of opportunity that exists in SA..."

"Our management team wishes to offer their expertise to international partners," it says.

Because the ANC has yet to call for the end of the sanctions, Thebe stops short of endorsing trade now, but says that the expo "could lay a foundation for future co-operation".

Altman said he was financing the project out of his own pocket, with some "in-kind" assistance from SAA.

Sally Miller, director of the Commerce Department's southern Africa division, said: "It looks like a first class operation."

She added that the department had authorised Altman to use its name in promoting the event.

A 20-minute video distributed with the mailing features Weaver Simmons, director of international business for Soft Sheen, a major US producer of "ethnic" hair care products.

Simmons, an African American based in Johannesburg to prepare for his company's full-scale entry into the SA market, praises SA's business potential but, like Thebe, he is careful not to run foul of the ANC's policy on sanctions.

# Not for the faint-hearted

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Falling profits and adverse sentiment about IBM have depressed ISG's share

**The turmoil** that has hit the computer industry in the past decade is reflected best in IBM's recently announced US\$5bn loss — the largest ever US corporate loss. The market value of IBM, still the world's biggest computer company, has plummeted by almost \$80bn to \$27bn since 1987.

IBM's fall from glory raises a number of questions. Where did it go wrong? What will become of it? And what does this mean for ISM — IBM's exclusive representative in SA? ISM is the main subsidiary of listed Information Services Group (ISG), contributing most of its sales and profits. Finally, does ISG have any investment potential?

In terms of sales, which exceeded R1bn in 1992, ISG is the largest computer company in SA. But, in recent years, it has lost market share in its mainframe business and margins have come under severe pressure. Yearly comparisons are difficult, considering ISG was part of TSI (along with Persetech) during 1987-1992. But the share price has fallen since the restructure from an initial high of 390c in March 1992 to a low of 190c at the end of last year.

It has bounced back to 230c. But, rated like its close competitors, it should be nearer 400c or about 75% more than it is. An historical p/e rating of 6,6 is low compared

with competitors such as Persetech (12) and Siltek (11,7). Comparatively high yields suggest it is relatively cheap — at least on historical performance — in spite of below-average dividend cover.

In 1992 there was a marginal fall in turnover and earnings fell 5%, the result of severe competition in mainframe and other product lines. An extraordinary charge of R22,9m below the line covers restructuring, including staff reductions and business reorganisation into 16 different units.

What of 1993? CE Brian Mehl expects earnings growth to match the industry's, though he won't put a figure on it, despite the

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continuing recession and the time lag for the benefits of restructuring to filter through. Market analysts are reluctant to comment on the record, but sentiment seems to waver between indifference and negativity. Some don't even have 1993 earnings forecasts — amazing considering ISG is a R1bn business and represents the world's largest computer company.

Why does the market have so little interest? The answer relates to a combination of IBM's failure to react fast enough to the evolution of the industry and ISG's failure to respond quickly enough to changing client demands on the support side. Both shortfalls have been attributed to a "generalist" management approach: jack of all trades and master of none.

The link between IBM and ISG goes back to 1987, when IBM disinvested from SA and sold subsidiary ISM to an employee trust. ISM subsequently merged with Barlow Rand's RCP, as TSI, to combine forces in a climate of tightening sanctions. When these fears were allayed, TSI was spun off last year into two groups. RCP became Persetech and TSI changed its name to ISG.

Where did IBM go wrong? Ironically, the advent of the personal computer (an IBM invention) and IBM's decision, in 1981, to buy chips from Intel and software from Microsoft triggered unofficial deregulation of the market. The availability to potential



**ISG's Mehl** ... expects earnings growth to match the industry's

competitors of value-added IBM compatible components let loose a deluge of competition, especially in the US and the Far East.

A revolution was taking place. IBM's core

mainframe business was being undermined by microchip technology creating small, powerful computers. At the same time, potent personal computers — work stations — were developed, offering a cheaper alternative to the mainframe. Sales of high-margin mainframes were down 10% last year alone.

In line with the trend to size down, Unix produced an "open" operating system, as opposed to the proprietary system. It was flexible enough to adapt to a range of hardware. This offered greater choice and broke into another IBM market.

IBM's 1992 results show how the changes affected it: a drop in sales (only the second since 1945) to \$64,52bn, a record \$11,6bn restructuring charge, a \$5bn loss and a dividend cut. IBM's failure to respond to the increasingly competitive and specialised market threatens to consign it to the history books.

Can IBM survive the challenges that face it or will restructuring merely rearrange the deck chairs on a sinking *Titanic*? The jury is still out, but it's certain IBM must make radical changes. There are, however, several factors in its favour.

Firstly, it still has clout in terms of size. Secondly, the cost of changing systems is prohibitive for companies already heavily invested in mainframe and midrange equipment. (Revenues from proprietary AS400 operating systems and IBM maintenance

# continue →

# Computer sales move signals end of sanctions

LONDON — SA business is to get a US computer system so powerful and advanced that its sale in potentially hostile or politically sensitive countries is banned.

The marketing in SA of the EMC group's revolutionary Summetrix 5500 data storage system signals the end of sanctions on American high technology. 8/2/93

The wardrobe-sized system, which is intended to challenge IBM's domination of the data systems market, will be exhibited at roadshows in Pretoria on February 24, Johannesburg on February 25 and Cape Town on February 26.

EMC CE Michael Ruettgers said opening SA to previously banned leading-edge technology would be a positive contribution to democratic progress.

ANC president Nelson Mandela's statement on sanctions at US President Bill Clinton's inauguration cleared the way for the EMC system, capable of up to 5 000 functions a second and which had slashed the price of data storage and movement.

Ruettger said: "SA businesses and institutions handling large volumes of data desperately need affordable new technology. Our systems will bring them bang up to date. They will bring obvious benefits to SA and neighbouring countries.

"We are assured that there will be no political problems."

The Summetrix 5500 system, a fifth of the size of its IBM rival and said to be many times faster, has made EMC one of



IAN HOBBS

the fastest-growing corporations in the US.

British computer expert Michael Hardwidge said: "It is no bigger than a wardrobe at 1,61m<sup>3</sup> but it handles 240 gigabytes of information at incredible speed. It is relatively simple to maintain and its great strength is that it has a double fail-safe system."

He said the secret of the system's success was that data was stored in duplicate in dozens of notepad-sized RAID (redundant display of inexpensive disc) discs. If one broke down, it could be replaced while the system continued to function.

"One of the most expensive problems with data systems is down time. All other systems have to be shut down when there is a disc fault. This one just roars on — and you don't need expensive geniuses to maintain it," said Hardwidge.

Units cost from \$825 000 to \$2,8m. They would be available on lease in SA.

EMC got into gear in 1990, with revenues of just R5m from its first RAID system. Revenue last year was \$140m. Ruettgers said orders for the new system guaranteed more than \$200m and 4% of the global market this year.

International Data Corporation senior consultant Robert Callery said EMC's new system had taken data storage to new frontiers. He expected it to eat rapidly into IBM's 80% of the world market.

# IBM beefs up mainframes

BIDAY 11/2/93

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IBM this week announced the world's most powerful general purpose mainframe as part of its launch of 18 new mainframe systems.

The largest model, based on System/390 architecture, clearly hits out at plug-compatible suppliers such as Hitachi and Amdahl.

Some of the new systems will be available only in the first quarter of next year, but all will provide significant price:performance benefits. Functions like data compression will compress data by 50% at CPU level.

Local distributor ISM's enterprise product manager David Botha is optimistic about making significant sales and hopes existing users will "grow into the new systems".

US-based industry watchers believe some of the new models could damage the bottom end of IBM's existing 9021 range of mainframes.

They say some customers could hold back in anticipation of buying

the new air cooled models which will be more cost effective to run. This could harm sales of the existing low end water cooled models.

Botha counters that if companies have bottom end water cooled systems they generally plan to grow within this range, instead of migrating to air cooled models.

Importantly, IBM is putting open systems attributes onto its mainframes following the lead of suppliers such as Unisys and Amdahl which took these steps about a year ago.

IBM is following other mainframe vendors' commitment to allow its systems to communicate and integrate with those from competitors in an open systems environment.

Botha says: "The MVS/ESA OpenEdition Services are an add-on feature for MVS/ESA 4.3, providing some of the Posix standards, a key demand from customers moving their systems into an open computing

environment."

IBM's MVS operating system is being promoted as an information hub to manage the corporate information environment. Similar moves were taken by vendors such as Unisys more than two years ago.

The water cooled models range from a system 711 single processor to a 982 eight-processor configuration which IBM says is 60%-70% more powerful than its current technology.

In the air cooled range, models range from a 311 single-processor machine to a 742 four-processor mainframe offering improvements of up to 50% over current models.

An industry source says the bottom end of the range is probably more powerful than most of SA's largest sites would require, so the local market is fairly limited. Botha says some institutions could still migrate to the largest single system model 982.



# IBM narrows hunt for new chief executive

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NEW YORK — IBM's hunt for a new CE is moving towards a short list of finalists and could be completed within a month, say IBM insiders, the Wall Street Journal reported yesterday.

IBM directors met on Tuesday amid indications that the high-stakes search was moving much faster than originally planned. "I wouldn't be surprised if it were over in late March," said one official close to the search.

In previous public statements, IBM said it expected to select a new CE by the end of April. "It's not going to be as difficult as they thought. They ought to be down to business interviewing five or six people fairly fast," said one IBM insider who recently met James Burke, the IBM director leading the search.

Several officials close to IBM and its two executive-search firms said they believed IBM directors on Tuesday began discussing about a half-dozen finalists. Among the names said to be under consideration: Perot Systems Corp chairman Morton Meyerson; Motorola CE George Fisher and R J R Nabisco chairman Louis Gerstner.

The directors and consultants working on the search have maintained intense secrecy about the subject, and it wasn't certain that these three men were on an official finalists' list.

Insiders said Apple Computer chairman John Sculley remained a serious contender. But some executives close to Apple said they believed Sculley had started telling

colleagues he was not interested in the IBM job.

Sculley has lately had one of the highest profiles of any US business executive, promoting President Bill Clinton's economic plan and hob-nobbing about interactive entertainment with Hollywood chieftains.

Some officials familiar with Sculley said they believed he was reluctant to give up this life for a brutal struggle to repair IBM.

Another widely mentioned candidate, Northern Telecom chairman Paul Stern, appears to be encountering resistance within IBM. Stern, known as a blunt, hard-charging manager, spent eight years at IBM and left in 1976. One official familiar with the search said IBM directors are concerned about strong objections to Stern from some influential IBM executives.

On the other hand, many IBM critics have called for a new CE unafraid to shake up the company's entrenched bureaucracy. Meyerson's name hasn't been widely mentioned as a top contender for the IBM job, but he has some strong supporters close to the search. He is one of the leading executives in the booming computer-services field, a market IBM considers crucial to its turnaround.

Along with his longtime colleague Ross Perot, the 54-year-old Meyerson built Electronic Data Systems Corp into a high-tech services powerhouse.

After helping run the Perot presidential campaign, he now runs the company Perot founded after leaving EDS. — AP-DJ.

Big South Africa boost as disinvestment of the 1980s reversed

# US companies flock back

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**HUGH ROBERTSON**  
The Argus Foreign Service  
WASHINGTON — American companies are returning to South Africa in growing numbers, reversing the disinvestment trend of the 1980s, and the number of inquiries about new investments in the country are also rising sharply.

In the past 18 months, 16 major US companies have either opened offices staffed by US personnel in South Africa, or have set up subsidiaries — four of them companies which pulled out of the country in the mid-1980s.

The new trend is revealed in the 1993 edition of US Business in South Africa, an annual report by the Investor Responsibility Research Centre, a non-profit corporation which advises hundreds of American companies on investment policies in South Africa and other countries.

The trend is confirmed by South African officials in the US, who say that the number of US companies making "serious and detailed" inquiries about investing in the country is rising, and that several large corporations have plans that are well advanced for investments in the country.

The IRRC report shows that by far the largest group of new investors — six of the 16 companies which have already set up business in South Africa — are in the computer and software industry. Others are companies in the heavy engineering and electronic industries.

Among the companies which have quietly returned after earlier disinvestment are Cummins Engines Inc, one of the world's largest manufacturers of marine diesels and related equipment, the Measorex Corporation and Tambrands Inc.

**Sharp increase**  
The IRRC report notes that after President Bush lifted federal sanctions in July 1991, there was little interest in South Africa and only three US companies made direct investments in the country that year. But the pace increased sharply in 1992 when 13 more US companies took the plunge.

"Nevertheless, the disinvestment to new US investment in South Africa remain formidable for many firms," the report says.

"Violence continues to rage in South Africa and a negotiated settlement has yet to emerge there. Consequently, most US firms that have entered the South African market recently have chosen not to invest, but to follow the less risky route of forming non-equity links — such as licensing and distribution agreements — with South African companies." The report says that the number of US companies with non-equity links has risen from 184 to 299 since the lifting of sanctions.

"Perceived barriers to new investment could fall away, though, if further progress is made in South Africa's political negotiations." The report notes that there are predictions that a settlement could be reached before the end of the year.

"Once the ANC calls for the lifting of sanctions, US state and local governments "will probably respond by modifying or repealing their selective contracting laws."

tracts: Africa when awarding con-

Star 5/3/93

# US companies quietly moving back

By Neil Behrmann

LONDON — American companies are beginning to move into South Africa once again after disinvesting in the late 1980s.

Investor Responsibility Research Centre (IRRC), a Washington research firm, says that 16 US companies have "quietly opened offices, established subsidiaries or placed employees in South Africa in the past 18 months."

Alison Cooper of IRRC says: "This effectively reversed the disinvestment trend that saw 168 US firms sell or close their South Africa operations from 1985 to 1990."

Four of the 16 companies have re-entered South Africa after disinvesting in the mid-

1980s. Three of them are Cummins Engine Co, Measurex Corp and Tambrands Inc. Six of them represent the computer and software industry.

The IRRC survey has found that 119 US companies are directly invested or have employees in SA. In 1986 there were 267 corporations and the low point was 106 firms in 1991.

IRRC cautions that most US firms that have entered the SA market recently have chosen not to invest fresh capital.

"They have followed the less risky route of forming non-equity links, such as licensing and distribution agreements."

From July 1991 to 1993, the number of US companies with non-equity links in SA jumped from 184 to 299.

New US links were facilitated

by President Bush's executive order in July 1991 to repeal the ban on new investment in SA.

US companies initially bided their time following the repeal. Only three US firms invested in 1991.

But the pace of new US investment rose sharply in 1992 and 13 more companies took the plunge.

IRRC says disincentives to new US investment in SA still remain formidable for many firms.

More than 60 city, county and state selective contracting laws continue to penalise companies doing business in SA.

Eight of the largest cities — New York, Los Angeles, Chicago, Houston, Philadelphia, San Diego, Detroit and Dallas — restrict business and investment

ties with SA.

Of the 10 largest cities, only Phoenix and San Antonio have no restrictions.

Cooper says US firms are also concerned about the violence that continues to rage in the country.

"The barriers to new investment could fall away, though, if further progress is made in SA's political negotiations.

"The ANC now says that it will call for the lifting of sanctions once the groundwork and date for free and fair elections have been established.

Once the ANC calls for the lifting of sanctions, says IRRC, US state and local governments will probably respond by modifying or repealing their selective contracting laws.

# US firms move 'quietly' back into SA

(b2) CT 5/3/92

From SMON BARBER

WASHINGTON. — Sixteen US firms have "quietly" opened offices, established subsidiaries or placed employees in SA over the past year-and-a-half, a Washington group which monitors SA for US institutional investors reported yesterday.

Most of the companies were entering the SA market for the first time, while others were returning after having disinvested in the 80's, the

Investor Responsibility Research Centre (IRRC) said in its latest annual directory.

Another 115 had established "non-equity" links involving licensing and distribution agreements, bringing the total with such ties to 299.

By contrast, the total for firms with direct investment or employees now stands at 119, still far short of the 267 in 1986.

Full details of the companies involved were not available because the IRRC, under budget pressure

amid declining activist interest in SA, is only releasing its directory to subscribers.

It did acknowledge that the 16 included Lotus Development Corp, Visa International, Tambrands, Cummins Engine and Measurex.

The preference for non-equity links, IRRC said, reflected ongoing doubts about SA's business environment as well as continued domestic boycotts.

In a significant departure, none of the 16 have signed the Statement of

substantial sums on social programmes outside the workplace in order to achieve satisfactory grades in an annual report prepared by auditors Arthur D Little.

"For the first time since 1986, IRRC counts more US companies that have not signed (65) than have signed (54) the Statement of Principles among US companies that have direct investment or employees in SA".

Principles, the voluntary employment code developed by the Rev Leon Sullivan in 1977, opting instead to abide by a less rigorous code enforced by the US State Department.

Signatories are required to spend

# focus on economics

Sowetan 10/3/93.

**N**EW YORK — Sixteen US companies have opened offices or otherwise established economic links with South Africa in the past two years, reversing the disinvestment trend of the late 1980s, a research firm says.

The Investor Responsibility Research Centre in Washington said last week the new investments were helped by former President Bush's 1991 executive order repealing a ban on new US investment in South Africa.

That ban was included in the Comprehensive Anti-Apartheid Act of 1986.

Three firms invested in 1991, the IRRC said, and the other 13 went into South Africa last year.

The IRRC declined to name all 16, saying it wanted to protect its research. But it did say Visa International, Lotus Development Corp and Cummins Engine Co Inc were on the list.

The news was not welcomed by apartheid opponents in the United States.

"It looks like I'll have to deal with this again," said the Rev Leon Sullivan, author of an operating code for companies in South Africa called the Sullivan Principles. The principles called for integration of the South African workplace and fair treatment of workers in the country.

None of the 16 new companies are signatories to the Sullivan Principles, the IRRC said.

The African National Congress, through its president Nelson Mandela, has said it welcomes investment in South Africa, but only when a new government is in place.

On February 18, the ANC formally agreed to govern jointly with whites and other parties for up to five years after the end of apartheid. The current, white-led Government said black people could join the national government in a largely advisory capacity by June.

Sullivan said: "My position still holds that until there is a non-racial government and blacks have the equal right to vote, the sanctions should remain and the objective must be to eliminate apartheid."

"We must keep the pressure up," he said.

Visa vice-president David Brancoli said that there are six companies with Visa franchises in South Africa. Asked if Visa had any doubts about doing business in South Africa, Brancoli answered: "As long as they (the franchises) observe the operating regulations of the (Visa franchise) programme they are members in good standing."

Richard Eckel, a spokesman for Lotus, said his company went into South Africa in 1991 "in a responsible way" and is a "positive element of change in the country." He said Lotus contributes to community development. "They are happy we are there," Eckel said of the South African people.

An IRRC survey found 119 US companies

Having been the pariah of the world for so long it is a strange turnabout that sees US companies — many of whom beat a hasty retreat in the '80s — making an almost indecent dash to take advantage of the turning tide in South Africa. **Sapa-AP** reports: (62) (70)



Coretta Scott King ... arrested.

currently have direct investment or employees in South Africa.

The new economic links effectively reverse the disinvestment trend that saw 168 US firms sell or close their South African operations from 1985 to 1990, the IRRC said.

Four of the companies on the IRRC list have re-entered South Africa after disinvesting in the mid-1980s.

Steven Zeller said Cummins had no investments in South Africa but did contract with an independent distributor with whom they have a "longstanding relationship" of more than 10 years. They also have an employee on temporary duty there, who has been in South Africa for a year, Zeller said.

The anti-apartheid law was enacted after a national campaign that included arrests at the South African embassy in Washington organised by Randall Robinson, head of TransAfrica, an advocacy group.

Among those arrested were Coretta Scott



Arthur Ashe ... arrested.

King, former President Carter's daughter Amy, singers Stevie Wonder and Harry Belafonte, Jesse Jackson and the late tennis star Arthur Ashe.

"When the all-clear is given, we would want to see the economy resuscitated. That is not the case quite yet. If I had my druthers I would see the corporations wait until we see this change at mid-year," Robinson said. "My bottom line is: Wait until it happens."

Alison Cooper, an IRRC spokesman, said a number of the 16 companies have a small presence in South Africa. "But it does bump them from one category to another, from no employees to one with employees," she said.

Other companies have chosen not to invest directly but have formed licensing and distribution agreements with South African companies. From July 1991 to the present, the IRRC has found that the number of US companies with non-ownership links to South Africa has jumped from 184 to 299. — Sapa-AP.

# US firms 'waiting to invest' 62

TREVOR BISSEKER

KODAK, Coca Cola and motor manufacturers were among the US companies, big and small, making plans to invest in SA "when the time is right", Andrew Young, former US ambassador to the UN, said in Johannesburg yesterday.

Young, who opens a conference in Cape Town on Friday on free and fair elections, said he was extremely optimistic about SA's future.

He disagreed with people who believed eastern Europe would attract investment ahead of SA. "People here — black and white — understand about business," he told a Media Forum breakfast. "The same cannot be said for many of the countries in eastern Europe. They just have no concept of it. You don't know who to deal with. A place like Soviet Georgia, for instance, needs kindergarten courses in capitalism."

There was also scope for investment in SA because of the economic warfare going on between the developed nations.

The target market was not SA itself but "everywhere south of Zaire". It was an area with great natural resources and beauty, but it had to be properly marketed.

Young mentioned Angola as potentially a great place to do business. President Bill Clinton's message should be that the US would recognise the elected MPLA government and give it military and economic assistance, such as \$10bn in credits on its oil revenue. "Imagine what that would do for the construction industry in SA. It would end the recession here."

Young said he was not sure what Clinton's feelings were about SA, but "President (F W) de Klerk needs outside help and I hope he gets it from Clinton".

Young said the US should not "pick a horse" in SA politics, but he felt ANC leader Nelson Mandela was a special sort of person. "I don't think anyone else has greater moral authority than he has to do what has to be done — for blacks and whites." He found "no trace of bitterness" in the ANC leadership. If white business leaders had similar commitment and optimism, SA would be a long way towards solving its problems.

● See Page 3

SIA 10/3/93

# US govt to assist in attracting investment

8/DAJ. 10/3/93. (62)

CAPE TOWN — The US government would collaborate with SA financial, government and business leaders in devising instruments to attract US investment capital to SA, US ambassador Princeton Lyman said yesterday.

Projects earmarked for the investment would include housing, electrification and small business development.

"What we are looking at are ways in which we might engage the anti-apartheid leadership in mobilising capital from those very institutions that were in the forefront of sanctions, for example, some of the large pension funds and university trust funds in the US," the ambassador said in an address to the Seeff-Cape Times Breakfast Club.

He stressed that these instruments could not be geared for foreign capital alone.

Without substantial investment from SA business and other

LINDA ENSOR

sources of capital, outsiders would be wary of them, Lyman said. He urged SA business to work through the national economic forum to develop such instruments.

Lyman said in an interview that possible instruments included government guaranteed housing bonds, or a growth fund along the lines of the Community Growth Fund which would invest in job-creating projects while at the same time ensuring a return for its investors.

It was possible also for the US government to provide support for housing investment.

Syfrets corporate finance head Ian Hamilton said Syfrets was looking at ways of getting overseas capital into SA.

However, said Hamilton, it was still too early to discuss the proposals.

CT 10/3/93

## 'Sanctions cut US firms in SA from 360 to 110'

62

THE number of US companies in SA declined during the sanctions era from 360 with a total investment of \$2.7bn to 110 with a total investment of about \$1bn, US ambassador Princeton Lyman said yesterday.

He said the lifting of sanctions would not bring a return of the situation in the 1980's as some US companies would prefer opportunities elsewhere and some would be coming here for the first time.

"We are receiving numerous visits from US companies pointing to interests in the following areas;

- Consumer goods to service the emerging and growing black African market including appliances, food products, clothing and franchised operations,

- Sectors that cater to the prospects for growing spending on low-cost housing, health care, schools, electrification and infrastructure,

- Development of mineral, power, transport and other regional projects in southern African."

Lyman warned that American business was concerned over talk of a code of conduct for investors as it could make SA less attractive and competitive.

The US government and business were also concerned about "the highly protected structure of the SA market, laying the potential for some serious trade issues between us."

The US had already re-introduced export-import bank financing and over \$100m worth of exports had been financed. A feasibility study at a cost of \$1m as a prelude to new private sector investment had also been financed.



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# Now three US states move on sanctions

62  
ARC. 11/3/93

**HUGH ROBERTON**  
The Argus Foreign Service

WASHINGTON. — Massachusetts has joined the states of New York and Oregon in proposing sweeping new sanctions against South Africa, and other state and city legislatures are under pressure from the ANC's supporters in the United States to follow suit.

The proposed sanctions have shocked many Americans, who had assumed recent statements by ANC president Nelson Mandela pointed to the prospect of sanctions at the state and city level being lifted once agreement had been reached on a date for South Africa's first free elections.

Instead the Bills now before New York, Oregon and Massachusetts call for the new sanctions to come into effect within days, and certainly long before most observers believe it would be possible for the multi-party negotiations in South Africa to set a firm date for elections.

In terms of the Bills, all state-controlled bodies in the three states would be required to divest themselves of all holdings in US companies that have investments in South Africa. They also stipulate that in the event of sanctions being lifted, the states should only invest in those US companies in South Africa that adhere to a Cosatu code of conduct.

A US company executive complained there had been no consultation with US businesses and that "we can see a can of worms opening up".

An ANC spokesman in Durban said the move to enforce new sanctions on South Africa was a clear indication of the urgent need to move as fast as possible towards establishing a democracy in the country.

The National Party responded by accusing the ANC of economic sabotage, according to Sapa.

NP information service head Piet Coetser said the ANC would be held responsible for jobs lost because of the new sanctions.

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Proposed new moves could turn away US investors, reports Hugh Robertson

# Baffling ANC signals on sanctions

Star 2/29/83

(2)

**F**UTURE American investment in South Africa could be threatened by the spate of proposed new sanctions legislation which has been introduced by ANC supporters in the New York, Oregon and Massachusetts legislatures.

Under the Bills, all state-controlled bodies in the three states would be required to divest themselves of all holdings in US companies that have investments in South Africa. They also stipulate that in the event of sanctions being lifted, the states should only invest in those US companies which adhere to a code of conduct drawn up by Cosatu.

Vigorous opposition to the measures is expected in all three legislatures, effectively pitting some of the ANC's most ardent and influential supporters in the US against corporations, banks and

other financial institutions who would be affected.

Businessmen warned that this sort of confrontation would gravely harm South Africa's ability to attract future US investments. "Obviously many companies will have to weigh up whether to face a large scale public disposal of their stock, and all that entails in the present economic climate, or to review their links with South Africa."

"The whole purpose of divestment is to discourage investment in South Africa. That is why the strategy has been so successful in the past, but it seems like madness to us that divestment should be encouraged at this juncture."

"However, we must assume that we misunderstood Mr Mandela, and that he and the ANC leadership support what is going on, since a single word from them

could halt this whole crazy idea in its tracks," a bank executive said.

He warned, too, that the new campaign for sanctions and the enactment of the Cosatu code would send a clear signal to US business leaders that the issue of investing in South Africa would remain highly politicised and potentially problematic, even after sanctions are lifted and a new government is in place.

The Cosatu code, while "even rather modest by prevailing employment standards" was so vague and doctrinaire that it opened the way for argument over interpretation and would be seen by many business leaders as a source of future problems.

A company executive complained that there had been no consultation with US businesses and that "we can see a whole can of worms opening up which many

people could well do without. If they had come to us and said, look, we want to encourage progressive employment practices, there would have been no problem. I do not know of any US company which would have objected to that."

Progressive employment practices had become a by-word for US multinationals and few failed in this regard, he said.

"But the code is simply a proclamation, made ex cathedra in the classic totalitarian tradition, by an organisation which has no national mandate in South Africa to do so, and now that we see the strategy unfolding of getting it enacted into law in the US, it is worrying us. We see it as a device not to help workers but to open the way for endless agitation and pressure in future from special interest groups in the US." □

# 'First' as Expo

SI Times (Buss) 14/3/93

## woos American

(62)

## top businessmen

ONE of the largest campaigns ever to market South Africa is under way in the United States. Glossy kilogram packs of information on SA have been sent to 20 000 specially targeted American corporations inviting them to take part in the "Made in USA" Expo.

It will take place at the World Trade Centre in Kempton Park in September and coincide with a "USA Week".

Made in USA managing director David Altman says the Expo, the first of its kind, aims to get US businessmen back into the SA market after a long lapse.

About 200 American firms are expected to exhibit. Some 80 companies, many of them big names, have already confirmed their participation, as have a number of US multinationals with operations in SA.

At this stage, official trade specialists from 12 US states have also said that they will be attending.

Mr Altman says that between 40 000 and 50 000 business people are expected to visit the show, including about 2 500 from other African countries.

The Expo is being promoted in SA and in 34 African nations with the help of the US government, the South African Department of Foreign Affairs and the

By ZILLA EFRAT

governments of a dozen African countries.

Mr Altman says the Expo has the support of the US Department of Commerce and ANC-led organisations because they see it as laying the groundwork for future co-operation between the two countries.

Major products to be exhibited include computers, electronics, machinery and medical equipment.

### Video

Exhibitors hope to increase trade relations, finalise licensing and franchise agreements and also source raw materials from SA.

The information packs being sent to US companies include a video and detail the opportunities available in the SA market and the use of SA as a springboard into southern Africa.

SA's sophisticated infrastructure and tourist attractions are also highlighted.

# M-Net sells ITC to US firm

*BIDMY 16/3/93*  
A MAJOR US-based credit information organisation has given its vote of confidence to investment in SA by acquiring business information company Information Trust Corporation (ITC) from M-Net for an undisclosed sum.

The acquisition by Chicago-based Trans Union represents one of the few foreign investments in SA this year. Trans Union provides consumer credit information in the US, Puerto Rico and Canada.

M-Net chairman Ton Vosloo said Trans Union, which is privately owned, was one of the US's largest business information firms after Dun & Bradstreet.

Although Vosloo would say only that M-

*(62) (74) (74)*  
**MARCIA KLEIN**  
Net would realise "a substantial capital gain", analysts put the selling price at more than R40m. M-Net bought ITC in December 1990 for R21m.

Vosloo said M-Net had not been looking to sell ITC, but Trans Union had offered a price which gave M-Net "a satisfactory return on our investment". The sale should come into effect later this month if some remaining open issues were resolved.

He said that when M-Net bought ITC, it was pursuing a strategy of diversification into compatible business fields. But the

To Page 2

## ITC sale

*BIDMY 16/3/93*  
launch of African service M-Net International and the acquisition of a large stake in European pay channel FilmNet meant the group's focus was now on developing pay TV markets.

Vosloo said there were many things on M-Net's plate, including the possibility of cellular telephony. M-Net would remain the main line of business, but the deal would free up management for other

*(62) (74) (74)*  
opportunities. *(74)*

He said ITC management supported the deal, and would remain with the business under MD Tony Leng.

Trans Union vice-president in charge of international operations Larry Howell said Trans Union could actively assist ITC, particularly in terms of technology and through being part of an international credit information network.

From Page 1

# US franchises targeting SA blacks

CAPE TOWN — A "second wave" of US franchises coming into SA was being aimed at black businessmen, Price Waterhouse world managing partner Howard Hughes said yesterday.

"While American franchises such as Pizza Hut and Kentucky Fried Chicken have been in SA for many years, this second wave of franchises seems tailor-made for black businesses, particularly in light of the fact that it is supported by USAid, the world's largest bilateral aid agency."

Hughes said many aid organisations were waiting in the wings for a multiracial government to be installed. The EC was also poised to provide large amounts of state aid and private sector investment.

810114 16/3/93  
LINDA ENSOR

"Some \$89m in EC aid is expected to be available this year for the 'positive measures programme' for resettlement of refugees and rehabilitation of health and education programmes."

But Hughes warned that foreign business leaders were "unfavourably impressed" by what they perceived as a reluctance on the part of South Africans to invest heavily in their own country.

"Perhaps this is the time for local business people to send a strong signal of confidence to their counterparts in other countries by becoming more visible as investors in an evolving SA."

**A** SPART of its bid to convert the sword of sanctions into the ploughshare of economic assistance, the ANC hopes to sign a co-operation pact with the state of New York, to go into effect as soon as a "new multiracial government" is in place. The organisation may not see US-style federalism as the right model back home, but clearly it is interested in making use of the original.

A draft of the agreement, apparently readied for signature by Governor Mario Cuomo and ANC President Nelson Mandela when the latter was in the US for President Bill Clinton's inauguration, is circulating. With New York state legislators even now trying to pass a Bill to discourage US banks from lending to SA, the sooner the thing is signed the better.

In terms of cold resources, the agreement is likely to be pretty meaningless — the kind of symbolic gesture that local US politicians are prone to when they aspire to strut the international stage. However, its mere existence will perhaps encourage other state and local jurisdictions to stop boycotting American investment in SA when the ANC gives the word.

**T**o say this is not to be rude to the ANC. Its heart is now clearly in the right place. But it must be realistic, or that heart is going to be broken, repeatedly.

New York has what it calls "international partnership programmes" with a number of countries. The agreement would extend such a programme to SA "in areas of economic development, education, small business development, trade and investment, culture, science and technology".

The text offers no guarantees that the state will do anything, only that it "may". Left unclear is whether this means it might, if it felt so inclined, or that it will, if permitted to do so by the new SA government. Perhaps

# ANC should be driving a harder bargain with US

GDAM 16/3/93

**SIMON BARBER in Washington**



(b2)

subsequent drafts will adopt a less subjunctive word.

Under the heading of economic development, what New York "may" do is "provide advice". Topics might include "the non-white majority's capability to own and control the means of production", "advancing the economic competitiveness of the new multiracial SA" and "structuring a civil service system". Whether New York has anything worthwhile to say on such issues, especially the last, is open to debate.

More importantly, however, the state undertakes to promote trade with and tourism to SA. If all that means is that it will get out of the way and stimulate others to follow suit, the pact is more than worth the paper on which it will be signed. If the state goes further, and provides tangible benefits like scholarships to its universities and technical schools and internships in its public health department, so much the better.

And maybe the ANC is asking for too little. Much of what New York "may" do seems to imply nothing more than busy work and travel excuses for bureaucrats. What about asking Cuomo to offer local tax incentives for firms that invest in SA?

Mandela should use all the moral suasion at his disposal while he still has it to squeeze substantive advantages out of this country. Remember, once elections are held and a new government is in place, he will be just another African politician.

The good news is that the ANC is trying to do the right thing. Less cheering are its prospects for getting it done. This is because other state and local authorities, and the campaigners who drive them on the issue of SA, continue to have a strange concept of what helping means. The ANC needs to get on their case.

**O**regon ended its SA investment boycott last year while the state assembly was out of session. With legislators back at work, some among them are trying to make trouble. What's a little trouble in an obscure west coast state? A lot if it becomes a trend, which it might well become, because, until recently, it was a trend the ANC was itself promoting.

A Bill is before the assembly which would reimpose the boycott until the ANC specifically says otherwise. What is dangerous here is

not the reimposition — that is just silly — but the accompanying proposal to keep the boycott in force for those companies that do not comply with the ANC/Cosatu guidelines for foreign investors.

This is one of those dangerous ideas that look unexceptionable to the innocent (after all, are not all companies going to have to abide by the guidelines?), but are in fact time bombs if the new SA is serious about attracting investment. For foreign investors, there is a major difference between abiding by a host country's regulations and answering to its authorities, on the one hand, and being hassled by bureaucrats and campaigners back home, on the other.

Let US companies believe that even if an ANC government welcomes them with open arms, their SA operations are going to continue being scrutinised by domestic pests, and they are going to look elsewhere. They are not going to waste time and money filling in reports to satisfy American watchdogs about their SA affirmative action policies when those policies pass muster in SA itself. There are plenty of other opportunities in other countries that do not entail this burden.

The ANC/Cosatu guidelines may well be a decent starting point for legislation or rules that a transitional government might adopt, as long as they are enforced realistically. Some of the standards may be a luxury SA cannot currently afford: there will be a limit to what investors can justify spending in terms of social work, adult education and on ramps and other facilities to ensure there is no discrimination against the disabled.

But that is something South Africans must work out for themselves. To let others do it for them would not only be impractical, it would be a humiliating concession of sovereignty. So call off Oregon, and find other work for the support groups who were asked to agitate for such initiatives at last November's Riverside Church conference in New York.

By the same token, douse the proposal in the New York state assembly to force banks to disclose their SA activities annually. Even more importantly, start letting the US Congress know that the election of a new government might be the time to drop the federal law requiring US firms in SA to abide by some variant of the Rev Leon Sullivan's employment code. Compliance is expensive and time-consuming, and some argue that it forces a misallocation of resources. Again, SA must set its own rules.

**F**inally, even with bits of paper like that to be signed with Cuomo, drumming up investment and assistance is going to be hard. When SA has a nonracial government, chances are it will cease to have any special draw on America's attention. Indeed, it may even be that some major US firms that have withstood the boycotts and shareholder activism of the past decade will leave, having stayed put out of sheer stubbornness and a belief that they were helping.

But that is not a reason to keep badgering them. It is one more reason SA will have to find other, more positive ways, to keep itself interesting.

# US firm blacklisted for violating social code

B/DAY 17/3/93 62

WASHINGTON — The State Department has publicly blacklisted Schenectady Chemicals Group Inc (SCG) because its SA subsidiary failed to make a "good faith" effort to advance black employees and invest in social programmes outside the workplace.

Another 15 firms have been placed "on probation" for the same reason and told to do better.

In addition to the bad publicity, the blacklisting means SCG, a privately held concern with a controlling interest in Schenectady Chemical SA (Pty) Ltd (SCSA), is being denied official export aid.

A company official said the only person who could comment was "out of town". SCSA is said by the Investor Responsibility Research Centre to have 35 employees.

By law, all US companies that control SA operations with 25 or more employees are required to register with the department annually. Those that do not subscribe to the statement of principles overseen by accounting firm Arthur D Little, are required to prove compliance with a similar code administered by the department's

SIMON BARBER

southern African affairs office.

In 1991, the period covered by the department's latest compliance report, released last week, 26 companies opted to be vetted by the US government rather than Arthur D Little, whose requirements are more costly and time consuming.

All 26, whose combined SA workforce was put at 4 888, were judged to have met the department's basic requirements: workplace desegregation, equal employment opportunity and benefits, equal pay for equal work, a minimum wage at least 30% above Unisa's minimum living level for a family of five in urban areas, and union recognition.

SCG and the 15 probationers fell short in setting up programmes to train and promote blacks and in taking steps "to improve the quality of employee's lives outside the work environment with respect to housing, transportation, schooling, recreation and health".

The remaining 10 firms were said to be "making satisfactory progress".

### 'Fear must be addressed'

LLOYD COUTTS (18/3/93)

MORE Afrikaners would find a political home in the ANC if the organisation was given an opportunity to convey its views without distortion, ANC spokesman Carl Niehaus said yesterday.

Addressing a meeting at Rand Afrikaans University (RAU), Niehaus said support from Afrikaners would come if the ANC could address fears about the preservation of the Afrikaans language and culture.

"There is no other political organisation in SA with a longer and stronger history of struggle for a non-racial and democratic country. But even if you are not prepared to vote for us we still have a duty to address your fears so that you do not refuse to participate in the democratic process out of fear," he told students. B1 DAY 18/3/93

A settlement was needed soon on democratic elections. Broederbond control needed to be wrested from the SABC and security forces.

## New York state set to push investment in SA

B1 DAY 18/3/93

SIMON BARBER

WASHINGTON — New York state is talking to the ANC about ways to stimulate investment in SA once a multiracial government is in place, an aide to Governor Mario Cuomo said. (62)

The final draft of a co-operation agreement to be signed by Cuomo and a new SA government would be ready soon, the executive director of Cuomo's advisory council on black affairs, Charles Moses, said. (250)  
"I hope we will take the lead. New York is uniquely equipped to carry out this mission."

Moses had been working on the text with ANC representatives and with the office of New York city mayor David Dinkins.

The agreement would extend New York's International Partnership Programme to SA. Countries currently participating included Poland, Lithuania, Ireland and Japan.

Benefits outlined in a draft now circulating include internships for SA blacks in New York's public health department, scholarships to state universities and technical colleges. The

state might also establish a trade mission in SA, and would be on the record favouring investment. (18)

Areas in which assistance would be offered included small business development, trade and investment promotion, education, science, public health, medical care and agriculture.

"When we get this thing signed, you're going to see a lot of exciting things happen," Moses said.

He said he had begun discussing the idea with Cuomo in 1991 as an alternative to sanctions legislation which the state assembly had refused to enact.

Moses said the date of signature, January 18 1993, had nothing to do with ANC President Nelson Mandela's presence in the US for President Bill Clinton's inauguration.

He said it would be up to Mandela and the ANC to decide whether it could be signed by the transitional executive expected to take power this year, or to wait for an interim government.



**X**EROX is at it again. The US document processing company, which became a byword in the '80s for its adoption of cutting-edge management theories, has been undergoing another big upheaval.

A year ago chairman Paul Allaire unveiled a radical redesign of the company's management structure, or what he calls its "organisational architecture", in an attempt to solve one of the central problems facing large companies everywhere: how to retain the entrepreneurial flair and flexibility of a small business.

"We are trying to get the benefits of a small company of quickness in time to market, decision-making and the elimination of bureaucratic activities," he says, "without losing any of the advantages of a big organisation." Xerox is hardly alone. Huge US companies ranging from American Telephone & Telegraph to General Electric have gone through wrenching organisational upheavals over the past few years in pursuit of this '90s Holy Grail.

But Xerox offers some distinctive lessons, partly because of the revolution it went through in the 1980s and partly because of the way it has approached its makeover, seeking to change not just the outward architecture of the company but its internal culture too.

**X**erox invented the plain paper copier in 1959 and became one of the fastest growing companies in the US. But then a combination of complacency, antitrust problems and executive infighting allowed Japanese rivals to make large inroads in its market share.

But the company fought back in the '80s under then chairman David Kearns and became one of the few US businesses to win back market share from the Japanese. This was due in large measure to its embrace of total quality management, which involves a business committing itself to the highest quality in everything it does and making customer satisfaction its number one goal. But while total quality management can dramatically improve the performance

# Xerox reshaping itself to lead the market, not copy it

BPM 2/13/93

MARTIN DICKSON

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of a business, it is no guarantee of continued success.

Allaire, who took over as CE in 1990, decided that the company needed a complete redesign of its structure. However, he emphasises his shakeup is not a break with the Kearns era, but builds on the company's past quality achievements.

The redesign also owes much to Xerox's long-standing practice of benchmarking, or comparing its organisation and performance with other well-managed businesses.

Its shakeup stems in large part from sweeping change in the office equipment business, where digital technology, which allows images to be captured electronically, is replacing traditional light-lens technology.

This means that the stand-alone copier is becoming part of the much larger information technology business — a device which can form part of an electronic information network and can incorporate a variety of additional functions including fax, colour printing and the scanning of documents to put them in digital form. That, in turn, is likely to bring new competitors into the industry from the computer field and force out some of the less efficient traditional copier manufacturers.

Allaire insists that, for Xerox, this is much more an opportunity than a

threat. But it means the company needs to be more responsive to changing customer needs and keep on the leading edge of technology, and he believes its old structure was ill-equipped for this.

The document processing business, with about \$14bn in annual sales, was organised as a classic monolithic company, divided into departments such as sales and manufacturing and with a large central staff. But this, he says, means that "people get too accustomed to sitting on their hands and waiting for a decision to come down from above".

Under the new system, Xerox consists of nine separate stand-alone businesses, each organised around particular products and markets and each with total responsibility for their profit and loss account.

**A**Allaire likes to describe this as turning the traditional, vertically organised business on its side: at one end, there is an integrated research and development arm, which feeds ideas into the nine businesses. These in turn supply products to a unified customer operations division, which sells, installs and services equipment and is organised by region.

The sales force was not divided up

among the nine businesses because Xerox felt it important to keep a single face to the customer, and did not want to run the risk of salespeople from different operations competing with each other.

Wayland Hicks, executive president, operations, insists this arrangement has not diluted the financial accountability of the nine operations. "We have broken up the financial system so the business heads have a clear idea of what their sales costs are, and they work very closely with the operating people."

The new system also ties Xerox's Palo Alto Research Centre (PARC) more closely into the business. During the past 20 years, the PARC has made some of the most important inventions in information technology, including the personal computer and laser printer, but Xerox repeatedly failed to capitalise commercially on its ideas.

Sceptics still wonder whether the company will speed up its notorious tardiness in bringing products to market. But Hicks says there is some early evidence that the new structure is helping.

For example, two variants of one of its machines were recently brought to market in a time "unheard of under the previous organisation", thanks to "a management

team that saw a marketplace need and was able to make and implement decisions in a way which involved a lot fewer people".

However, Allaire points out that changing the formal structure of an organisation is the easiest part of architectural change. Two other vital elements are harder to engineer: getting people with the right skills in the right place and changing the organisation's informal network of relationships and culture.

Xerox discovered it had a dearth of GMs a few rungs down the corporate hierarchy — at the point where these were now critical to success. Previously people at this level tended to be specialists, lacking all-round management skills. As for culture, Allaire was anxious for the new businesses to keep in mind the needs of the group as a whole, since much of Xerox's strength comes from its combined technological and global marketing abilities.

One important way of doing so was to change the pay system. Middle managers' bonuses are now based on a calculation which multiplies the achievements of their part of the business with that of the group, rather than just adding the components together. Multiplication makes the group's performance far more critical to the size of the bonus.

**A** year into the new world, Allaire says he is "pleased with progress". The company has also just announced plans to sell off its poorly performing financial services businesses, acquired in the early '80s to shore up the copier business.

It is too early to say how much of a lift all these initiatives will give to the company's financial performance, although Wall Street is reasonably impressed by the shape of the business. Its product range is strong relative to its rivals, and its 1992 results showed a 12% increase in document processing income, despite the weak global economy.

There is, however, no room for complacency. Xerox, says Allaire, will "have to change more in the next five years than we have in the past 10. We cannot sit back on our laurels." — Financial Times.

# US hair firm under fire

By JESSICA BEZUIDENHOUT

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AN American hair-product manufacturing company allegedly operating in South Africa under the pretext of providing education and training in hair care to black people, has come under fire from two former employees.

The two — one from Cape Town and the other from Johannesburg — claimed the company's local management had made several "unfulfilled" promises about the rate of payment to sales representatives, petrol allowances and working conditions.

Soft Sheen — said to be one of the biggest ethnic hair-care manufacturers in the world — came to SA last June following the African National Congress's announcement that overseas investors should explore the market here.

However, according to an ANC spokesman, Aziz Pahad, no trading was to take place until a Transitional Executive Council had been established.

Soft Sheen, which had its head office in Chicago, Illinois, appeared to have ignored the fact that the State of Illinois was still imposing economic sanctions against SA, said former employee Anver Saferdien.

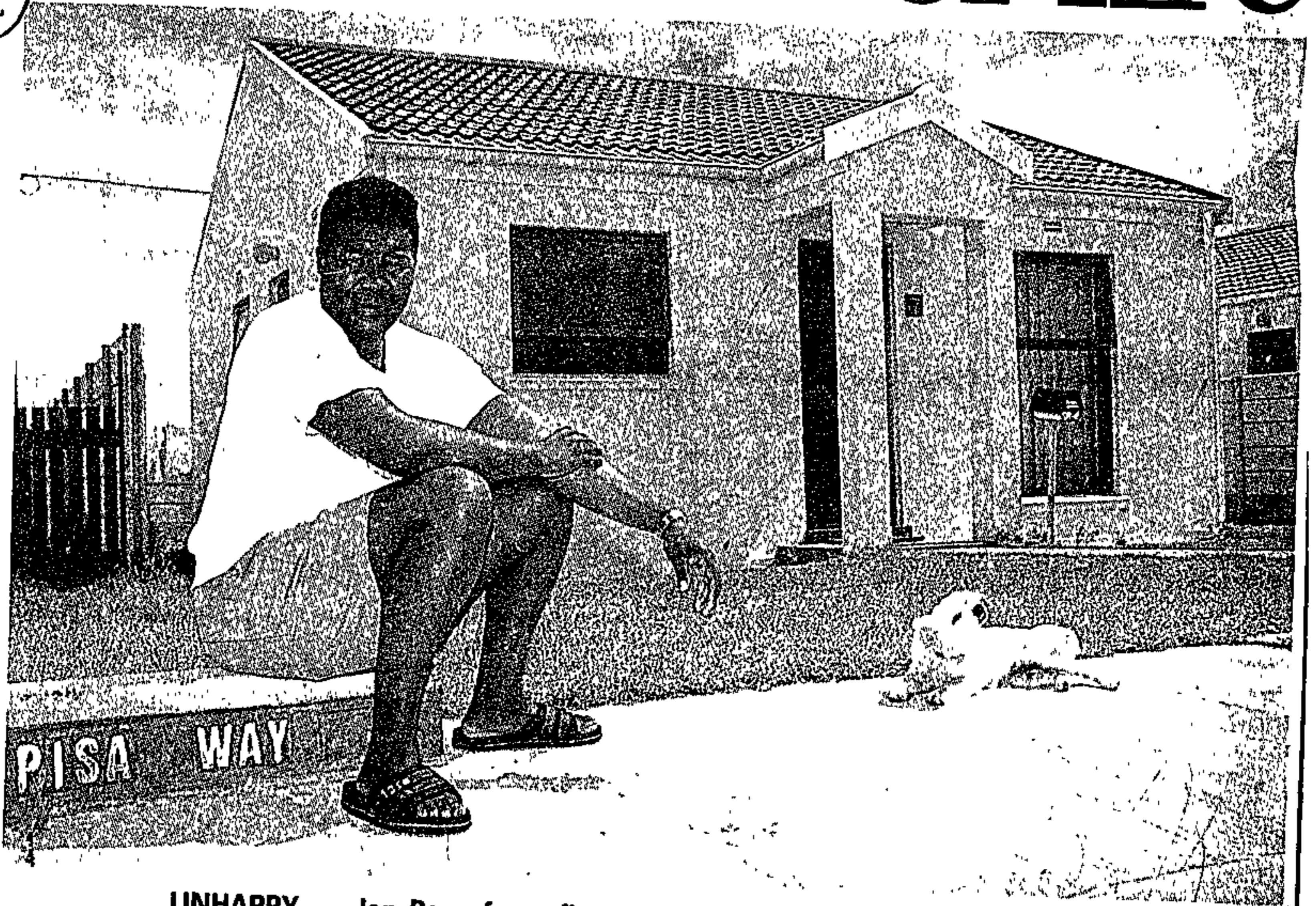
Mr Saferdien said he had been appointed as an education manager,

but was used instead as a field worker to market the products.

The only education provided were the product demonstrations given at salons to encourage sales, he claimed.

The company had brought out Americans to perform duties that could have been carried out by suitably-qualified South Africans, he said.

Mr Saferdien, who worked for the company in Johannesburg, claims he received a letter last



UNHAPPY ... Ian Page faces financial ruin Picture: AMBROSE PETERS

S/Times [Cape metro] 28/3/93

week terminating his services as from April 1.

The letter said the company was to concentrate on the independent countries bordering SA and would no longer employ South Africans in its local operation, he said.

A company document in possession of the Sunday Times says that "if sanctions against SA are not lifted, then the strategy to intensify and expand distribution efforts in Namibia, Lesotho and Botswana will be accel-

erated from September this year".

A young Cape Town man claimed that he was facing financial ruin as the company had not paid his salary since January, although his services had been terminated only this week.

Ian Page, formerly employed as a sales representative in Cape Town, claims his car has been repossessed and that he is on the verge of losing his house in Strandfontein, Mitchells Plain, because he has been un-

able to make his bond repayments for the past two months.

Ike Papageorge, legal representative for Soft Sheen in South Africa, denied that the company was involved in any unfair labour practices.

Although Soft Sheen had its head office in Chicago, this did not affect the company's operations here as Soft Sheen in SA was, among other things, a South African-registered company, he said.

# In SA it's more pay, less work

HOPES that American investors will flood back to create new employment opportunities in SA when the ANC announces an end to sanctions need to be tempered by the following grim fact.

The South African labour force is among the most costly and least productive in the developing world — at least when it is employed by affiliates of US companies.

This emerges from data gathered by the US Commerce Department for a benchmark survey of foreign direct investment by American firms published late last year.

The survey is based on detailed financial statements US parent companies were legally required to submit to the department. It provides an unusually comprehensive, country-by-country picture of how US overseas investment performed in 1989.

Not all the news is bad. Calculations based on the data show that the 92 US parents which still held a majority interest in South African operations achieved a relatively decent 8.3% pre-tax return on assets then worth \$1.6-billion.

This compares with average returns of 6.5% on assets in Latin America, 5.5% in Asian and Pacific

Zealand, only the Taiwanese and Koreans were paid more. The remainder averaged \$2.13, less than half the South African figure.

Even more startling are comparisons of net return generated per worker.

During the survey year, non-bank, majority-owned affiliates in SA produced a pre-tax return on direct US investment of \$134-million. They did this with just under 23 000 employees. Return per worker was \$5 800.

The same calculation for Latin America gives a figure of \$9 500; for Asia and the Pacific \$10 400; and Western Europe, where US subsidiaries employed 2.3-million highly paid (but also highly skilled) workers, \$12 500.

The survey data suggests one other reason not to be optimistic about major infusions of US investment — at least until SA can demonstrate that it has a healthy and growing market for products made by American affiliates.

The great majority of sales by US

subsidaries the world over are within the country where the subsidiaries are operating. This is particularly the case in SA, from which only 10% of US affiliates' products were exported in 1989.

## Isolation

Parent firms clearly did not see the country as a springboard to other markets, and though this may have reflected political considerations, geographical isolation and the poverty of the surrounding continent appears to have had a lot to do with it.

But even in Asia and Latin America, local markets (accounting for 71% and 64% of sales respectively) are where US subsidiaries did the bulk of their business.

And note this statistic: for the survey year, sales by US affiliates in all of Africa (\$11.5-billion) only just managed to top those of American subsidiaries in Ireland.

## From SIMON BARBER in Washington

countries and 4.9% in Western Europe.

In other respects, however, the picture was less rosy for South African subsidiaries. Net income as a fraction of sales was at the low end of the scale: 6% compared with a 12.1% average in Latin America.

Among developing nations on the Pacific Rim, sales-to-income ratios ranged from 7% for Malaysia to a whopping 20.8% in Indonesia.

## Startling

But the most troubling signs are on the labour front.

The average South African worker in a US manufacturing affiliate was paid \$4.47 an hour in 1989, \$1.23 more than his or her average counterpart in Latin America.

In Asian and Pacific countries, excluding Japan, Australia and New

4/4/93

5 Times [Buss]

(62)

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**NEWS IN BRIEF****IBM reports \$285m loss**

ARMONK — Computer firm IBM yesterday reported a \$285m loss for the first quarter, saying core main-frame computer sales were off significantly. (62)

The deficit contrasted with its \$2,54bn profit a year earlier, when it benefited from a one-time gain of \$1.9bn from an accounting change. Revenues slipped to \$13,1bn, off 7% from \$14bn in the 1992 quarter. While total hardware sales were off 19.4%, demand for IBM's personal computers remained strong.

**Zaire rules out privatisation**

BRUSSELS — Zairean Prime Minister Etienne Tshisekedi's government said yesterday it was against any sale of Zaire's state assets, including the key mining company Gecamines. Press Minister Mende Omalanga said any transactions relating to a call for privatisation would be declared null and void.

**Illness delays treason trial**

MOSCOW — One of 12 men charged with treason in connection with the failed Soviet coup in 1991 was expected to spend at least two more weeks in hospital after falling ill last week, a court spokesman said yesterday. Doctors said Alexander Tizyakov had been in intensive care to prevent a heart attack. An indefinite recess in the hearing was declared on Friday.

**Call for 'Global No-Golf Day'**

TOKYO — A Japanese environmentalist group campaigning against golf course construction is calling for April 29 to be made "Global No-Golf Day". The Golf Course Problems Global Network is planning an international conference to stop destruction of forests to make way for golf courses and pollution from heavy use of herbicides and pesticides.

REPORTS: Sapa-Reuter.

**Clinton pleasing ever fewer people, polls show**

Own Correspondent

WASHINGTON — What do George Bush, Lyndon Johnson, Richard Nixon, Ronald Reagan, John Kennedy and Jimmy Carter have in common?

The answer, to the dismay of the youthful new intake of Democratic staffers in the White House, is that after three months in office, all of these former chief executives were more popular than President Bill Clinton is today.

Opinion polls might be dismissed as an unnecessary diversion from the task in hand. But Clinton records a dismal 49% approval rating three months into his term, lower even than Gerald Ford, when the first months of his administration were clouded by his unpopular decision to pardon Richard Nixon for Watergate crimes.

For Clinton, even more alarming than the low approval level are his high "negatives", with 36% saying they actively dislike the way he is running the country.

Clinton exudes an energy and enthusiasm for the job which many find appealing. And yet the polling figures are bad, and getting worse.

"Clinton is gambling that people will like him enough that they won't mind that he's governing several degrees to the left of the way he campaigned," says Joshua Muravchik, of the American Enterprise Institute, a Washington think-tank.

Clinton ran his campaign explicitly

as "a new type of Democrat" who rejected the old policies in favour of strong national defence and fiscal rectitude.

He sanctioned executions in his home state of Arkansas and was photographed repeatedly with police officers to underline his "toughness on crime". It worked, and the previously unknown governor of an obscure state made it to the White House, albeit with only 43% of the vote.

Since then, Clinton has acted less like a southern centrist and more like an eastern liberal.

Clinton has already acquired the dangerous Carter-like habit of trying to do too much.

He tours the country promising a new forestry policy here, a new airline policy there. In his zeal to correct all of America's problems, he seems to be losing sight of the demand of the electorate — to get the economy moving and controlling the deficit.

Clinton's much-vaunted "stimulus" package of £10bn of short-term spending to create jobs is stalled, victim of the very Washington gridlock which he promised to break.

It is too early to draw conclusions about the course of the next three years. But the beginning has been one of lost opportunities. — Daily Telegraph.

Star 22/4/93

# Schwarz sees investment possibilities

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By Stephen Cranston

American private donors and state and city governments are likely to invest \$400 million if there is an election in South Africa in 1994, says Harry Schwarz, South African Ambassador to the US.

But with the fading of the post-election glitz, that figure is likely to fall to \$250 million in 1995.

Speaking to a meeting held by stockbrokers Davis Borkum Hare in Johannesburg yesterday, Schwarz said that although there were trade and investment bans in 26 states and 90 cities, the sponsors were closing their eyes to trade with South Africa.

He predicted that by June most would be repealed, but said there was considerable leg-

islative inertia; some cities still had sanctions against Namibia on their statutes.

Schwarz said it was unrealistic to expect significant investment from overseas if local businessmen were not themselves investing.

He criticised an unnamed food company, clearly Royal Foods, for buying an international food company, Del Monte Foods International, instead of building up its local business.

He blamed the abysmal performance of the South African economy on the low level of investor confidence.

Certain facilities now available to businessmen were being ignored.

For example, only one South African company had applied to use the facilities of the US Ex-

port-Import Bank.

South Africa should tap into the sudden interest in the US in exotic investments.

Funds were being invested in the companies of the Pacific Rim and Indonesia. South Africa would represent an exciting investment for such investors.

Schwarz said there were many inquiries to the SA Embassy from Fortune 500 companies about investment in South Africa, as well as from black businessmen and franchise operators.

But it would be an illusion to think there were queues of private investors.

The US was rebuilding its own economy and was busy investing in the region, thanks to the setting up of the North American Free Trade Area, he said.

Star 22/4/93

# Operational discipline to rescue of JD Group

By Stephen Cranston

Prices of furniture, both at manufacturing and retail level, have not kept pace with inflation, says JD Group chairman David Sussman.

Writing in the group's annual report for the year to December, Sussman says sources of supply have been reduced because of factory closures and declining productivity levels.

Sussman says the JD Group continues to emphasise systems development, the development of people skills and good industrial relations.

Discipline at operational level enabled the group to recover from poor mid-year results and exceed the previous year's earnings by 21,2 percent.

The overall arrears on the debtors' book rose from 7 to 7,78 percent and bad debt write-offs from 2,71 to 2,93 percent.

But the rate of repayment improved, reducing the length of the debtors' book from 15,4 to 13,5 months.

Bradlows, which trades in the upper end of the market, felt the brunt of the recession.

Joshua Doore had a "very exciting" year with the launch of its catalogue showrooms. These

are 240 to 300 square metres, with minimal overhead structures.

By last December, there were 22 catalogue showrooms. Another 60 will be opened this year.

Price n Pride opened six new stores, expanding into the Western Cape and Swaziland.

The JD Group has instituted a new approach to stock management, which allowed stocks to fall 2,7 percent.

The new formula and the benefits of the new central distribution centres (CDCs) have already borne fruit.

Star 22/4/92

# Washington considers tapping pension funds for investment in

THE US government was examining the use of US pension and endowment funds to invest in bonds for housing, electrification and small business development in SA, US ambassador to SA Princeton Lyman said yesterday.

"We are examining, with both SA and American experts, the possibility of new financial instruments that will tap into yet another source of private investment capital, the pension and endowment funds in the US. Many of these funds were in the forefront of the sanctions and disinvestment movement," he said.

Speaking at the Seeff/Radio 702 Business breakfast, he also disclosed that his government was hoping to announce a new US investment in SA next month.

He said new sources of private investment from abroad and finance from multilateral institutions such as the World Bank and the African Development Bank could see about \$2bn to \$3bn in foreign assistance and investment coming into SA annually — if the local business community showed more of a commitment to SA.

"The private sector, which prides itself on analysing and taking risks, must now

take some greater risks on behalf of growth and development," Lyman said.

He warned that foreign capital would not materialise if SA investment did not match, if not exceed, foreign investment.

The business community could not put the whole burden on the politicians. "The politicians of this country, such as those in the ANC, have already gone a long way to assure the business community about future economic policy."

The private sector in SA needed to de-

monstrate that the faith parties had in the private sector was not misplaced. "We look to the politicians to take risks in a political settlement, but we are asked to understand the businessmen and women's unwillingness to do so."

Everyone in SA was being asked to take risks, Lyman said.

"The liberation movements are being asked to risk their credibility with their constituents by agreeing to coalition government and dependence on the private sector from which they have been traditionally excluded."

The vast majority were being asked to risk their dreams of better education, housing, jobs and basic health services on a long-term programme of growth rather than radical redistribution.

However, Lyman also criticised the ANC for not calling for an end to sanctions. "If sanctions were only removed when there was a newly elected government, it would take two years before this assistance could be utilised."

There was a lead time of 18 months to two years between the beginning of project development and implementation.

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BLOM 24493  
KELVIN BROWN

SA

# Image-makers ready to polish

Star 11/5/93

(62)

**MANDY JEAN  
WOODS**

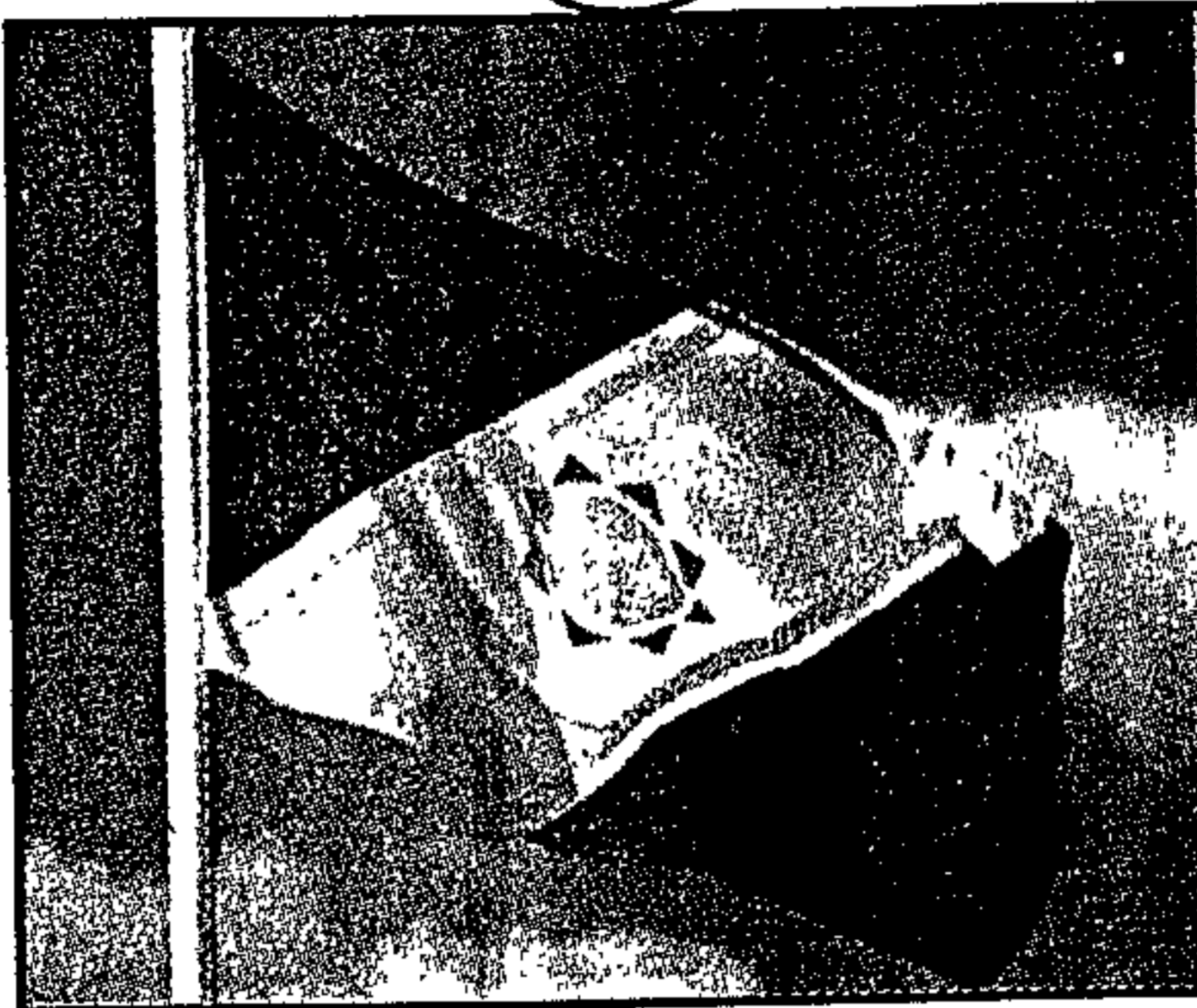
THE age of blow-dried American raz-zamatazz politics may have arrived in South Africa with the opening of a local branch of the world-famous image-makers Saatchi and Saatchi.

Style creators for such luminaries as Margaret Thatcher and Kenyan President Daniel arap Moi — the media image-maker's first client here will be the new-look National Party.

Local advertising agency Saatchi Saatchi Klerck & Barrett (SSK&B) group chief executive officer Jurie Snyman says the move to establish a local branch of the company was prompted by the fact that there is money to be made in Africa in politics.

"There are some 26 countries in Africa which are changing from one-party states to multiparty democracies. All will have to hold elections.

"Madagascar and Angola have just had elections, for example, and Mozambique should hold one in a year's time. Namibia is scheduled to hold an election by 1995 — and all those political



**FOLLOW US:** The sun, the NP hopes, will shine warmly on all South Africans regardless of race.

## Nats set sail under new flag

THE National Party this week unveiled its new colours. Guided by its political consultancy, Communications Africa, the NP has decided on yellow, red, blue, green and white, breaking with its familiar orange and blue corporate look. (30/11/93)

The flag is divided into three panels broken in the middle by a bright sun which will also become the NP's symbol. "The symbolism of the sun is that it shines on everyone, regardless of race or conviction. It stabilises our entire solar system in the same way the NP stabilises SA politics," the party says.

The issue of whether or not the NP should change its name appears to have been hotly debated. But it was decided to retain the name because "our name is more appropriate today than ever before".

parties will be looking for ways to best promote their message and reach voters," he says.

The SSK&B company — Communications Africa — will be headed up by Eldad Louw, a former agency strategic

planning director, who has been associated with various National Party campaigns since 1983.

(SSK&B has handled the NP's election advertising campaigns since 1983, with the exception of 1989; it also handled

the two referendums).

The company has been approached by parties in Zaire and Angola to do work for them, he said.

In picking up election campaigns as a specific business, SSK&B is following the well-trodden path forged by its international affiliate, Saatchi & Saatchi Worldwide, whose latest assignment was for Boris Yeltsin in the referendum last month in Russia.

It also handled the second election campaign of former US President Ronald Reagan and all the election campaigns for Thatcher and John Major.

"It was quite obvious to us from the day we started our push into Africa that the first money to be made was in politics. It is big-budget stuff for which money is made available," Snyman notes.

A South American agency which handled work for the MPLA in Angola is said to have charged a fee of around R9 million; the Kenyan election billings ran to around R3 million.

"Although political advertising in South Africa has always been a sensitive issue, political campaigns are big and legitimate business in Africa and elsewhere," Snyman adds.

(b2) ARG 8/5/93

# Pepsi ready to fizz back

**ALIDE DASNOIS**, Business Staff

US cooldrink giant Pepsi Cola International is said to be considering returning to South Africa — once a new government is in place.

In terms of an agreement with Pepsi Cola International, Namibia Breweries in Windhoek has been supplying Pepsi in cans to some South African outlets since the US company withdrew from South Africa a few years ago.

The cooldrink is marketed largely through National Sorghum Breweries.

Pepsi's share of the South African market is still very small, says Namibia Breweries marketing manager Mr Chuck Miller, partly because of the high cost of delivering canned Pepsi from Windhoek.

Opening a bottling plant in South Africa — possibly as a joint venture with a local company — would help to make Pepsi more competitive.

"But there's a long way to go before Pepsi reinvests in South Africa", said Mr Miller. "The company withdrew for political reasons and I don't think they'd want to come back until a new government is in place".



# Opportunity beckons for PC price war survivors

Blamy 13/5/93

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 Reports by  
 MELANIE SERGEANT

OVER the past five years, SA companies have invested more than R25bn in information technology, of which about R3bn was spent on PCs, and another R4,6bn on PC-related software, peripherals, local area networks and other add-on hardware.

This makes the PC and PC-related market worth about one-third of total IT investment, according to the latest research report PCs and LANs — structure and dynamics from BMI-TechKnowledge.

BMI-T desktop programme manager Jonathan Saulez says the market is fiercely contested by about 100 distributors, and more than 2 500 dealers.

"Given that the market is facing single-digit unit growth, and falling prices, there is growing emphasis being placed on sales of upgrade products, maintenance, networking and peripherals."

Elements which make SA different from some Western PC markets, is the higher proportion of PC clone sales to that of branded machines,

and that there is still a large installed base of XT's and 286-based PCs.

Clones have been popular in SA because users are price sensitive, and the rand/dollar exchange rate has played against branded PC prices. Now, however, there is a swing towards brands like IBM, Acer and Compaq, because of their aggressive pricing strategies.

"The PC industry is undergoing some dramatic changes worldwide; profit margins have been eroded so much that many vendors are selling to users directly rather than through dealer networks.

"While direct sales cut operating expenses, a solid infrastructure is necessary to ensure this strategy works," he says.

The local market is starting to emulate the international shift away from dealer channels towards direct selling. Companies already in this market include Olivetti, ICL, Unidata's AIT with Dell PCs, Siemens-Nixdorf, and Mustek Electronics.

With the popularity of Microsoft's Windows operating system, Saulez points out that sales of 32-bit PCs have been given a major fillip. "This is because Windows requires more disk space than DOS, and needs to run on higher configured PCs."

Given that the PC industry is experiencing the "tail end" of a five-year product cycle which began in earnest with IBM's 80386-based PCs in 1987, Intel's new Pentium processor and new operating systems from IBM, Microsoft, Sun and others — a new PC product life cycle will be initiated this year, he says.

For companies that survive the current price war, new opportunities in new markets will open up, and higher average selling prices should be fetched.

Another BMI-T report says overall printer revenues grew by 12% in 1992 over the previous year, with the move being towards non-impact technology where unit prices are higher than dot matrix printers.

"The printer market is expected to be worth around R286m this year."

US-SA TRADE

Flirting with Uncle Sam

After several years of a strained, arm's-length relationship, SA and US businesses are rediscovering each other. The stakes are high: a share of the nearly R15bn-a-year in two-way trade and the huge opportunities for investment on both sides once the next SA government is established. FM 14/5/93

Since February, there have been two SA trade missions to the US and another is planned for October. In September, 200 exhibitors from the US are expected at "Made in USA," a trade exposition to be held at the World Trade Centre in Kempton Park. "The point of the expo is to bring American companies to SA so they can be in on the ground floor," says the organiser, South African David Altman. "Any investment must first start with trade."

Signing new trade deals, however, takes time and careful nurturing of contacts. Says Altman: "There are a lot of venues for US companies. SA is just one. It's not on the top of their list and half don't know where it is. We've started the ball rolling. Someone has to tell America that SA exists."

Nevertheless, trade between the two countries has been expanding rapidly. After three years in which two-way trade totalled about R7,5bn a year, the figure jumped to R10,5bn in 1991 and about R12,5bn last year.

If there was any lingering doubt over the two countries' new relationship, it was extinguished when the office of US trade representative Mickey Kantor recently included a chapter on SA in its annual volume titled *Foreign Trade Barriers*. It says the US government has asked SA to lower some tariffs and raised concerns about other barriers to trade and investment.

Michelle Cohen, head of the American Chamber of Commerce in Southern Africa, says that despite the growing ties, a lot of misinformation still exists on both sides of the Atlantic after the years of sanctions.

"We need to educate South Africans about the US and Americans about SA. Americans are still cautious. They don't know whether their banks can deal with SA, whether they can get letters of credit, whether there's enough infrastructure. It's a matter of having lost touch."

No-one argues about the opportunities for SA businesses in the American market. With a population of 250m and a per capita income of about \$21 000, the US is the biggest consuming nation in the world. Unfortunately for businesses looking to crack that market, it also produces just about everything under the sun. So the trick is to find a niche.

"It's so huge that it's impossible not to find a niche market," Cohen says. "They sell anything and buy anything. They need partners as much as we do."

Cohen led a ground-breaking trade mission to the US in March, when she took a

seven-member delegation on a 19-day trip to New York, Washington, New Orleans, Atlanta, Dallas and Houston. They were looking to market products such as ostrich-leather luggage and cane furniture. She says her mission got a good reception, especially among blacks, because it was not government-led. Americans, she believes, still want to avoid giving the appearance of officially working with the SA government. She says this was obvious in cities that still had sanctions, such as New York. But Henk Pretorius, who led a 15-member trade delegation organised by the Department of Trade & Industry to the US in February, says there was "absolutely no antagonism" from Americans they met. Pretorius worked for the department in the US for three years until 1991 and says the reaction towards SA has improved. "Before, the general attitude was hands off; it was negative. Now that's changing."

But local critics have attacked the department for spending R16m this year alone on its scheme that subsidises companies and

individuals participating in trade missions and foreign exhibitions. Through the Export Marketing Allowance scheme, participants get a rebate on half of the cost of their economy airfare as well as a R400 daily allowance. And it's not just for government-led missions. The members of Cohen's mission also qualified.

"It's quite an incentive, but it's not a joy ride," says Hennie Erasmus, who is leading the department's mission to the US and Mexico in October. He says would-be participants in the scheme must be vetted by the department before they get the money.

US expo promoter Altman is working from the opposite direction by organising a venue for American companies to make contacts in SA. He won't identify which American companies have already paid the \$14 900 for air fares, exhibition space for five days, accommodation and a side trip to a game park, the Lost City or Cape Town.

The "Made in USA" expo got a boost when the ANC's Thabo Mbeki issued a letter last month in support of the trade fair.

"The expo is a tremendous opportunity for any American company wishing to do business on this continent," Mbeki wrote.

Yet the ANC is not recommending that foreign companies should ignore its call for sanctions. Rather, it sees this expo as an opportunity for people to come and look around in preparation for the time when an election date is set and other conditions for the ending of boycotts have been met.

Altman says the letter helps in recruiting exhibitors, but Americans remain wary about committing their time and money before an interim government is in place. "Americans are waiting for a signal. They are waiting for (ANC president Nelson) Mandela to stand up."

Says Cohen: "Corporate America is not holding its breath for SA to emerge from the bitter past. There does have to be an unequivocal statement by Mandela as to a definite date when the ANC will call on US states and cities to repeal sanctions as a matter of urgency, in order for business to proceed along normally accepted lines." ■

BUSINESS & TECHNOLOGY

FM 14/5/93

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Handwritten initials and scribbles.

# US may open further to SA

THE US government is discussing the possibility of extending to SA legislation which gives developing countries better access to American markets.

US diplomatic sources said that, while SA was prohibited from the benefits of the generalised system of preference, it was possible this restriction could be lifted during the current session of Congress.

The review would mean that for the first time SA could qualify for the lower tariffs applied to developing countries' products.

The US system is similar to the EC's Lomé Convention which favours imports of designated Third World countries.

The sources also predicted that US investments in SA could soon qualify for benefits under the federal Overseas Private Investment Corporation (Opic).

While new US investment in SA had been slow to take off since the lifting of sanc-

PETER DELMAR

tions in 1991, Opic benefits, particularly insurance cover, would be important in encouraging such investment.

It was also disclosed that the US Export-Import Bank was processing loan guarantees worth "several hundred million" for supplies to SA. Late last year Exim Bank guaranteed more than R90m for a Boeing 747-400 bought by SAA.

The sources said the US would continue opposing SA's general export incentive scheme and Section 37 export incentives because these were inconsistent with GATT.

SA's tariff structure would be addressed in GATT negotiations, but SA could expect continued US pressure to reduce its import surcharges.

B1075 17/5/93

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US investment in SA depends on ANC actions in coming months, writes Michael Christie

Star 17/12/93

# Old barriers must come down

THE future relationship between South Africa and the world's largest and most innovative economy will depend, to a considerable extent, on certain actions and pronouncements of the ANC over the next few months.

Contrary to what is generally assumed, there exists substantial interest among American businessmen to create new business ties in South Africa or to re-establish old ones. This is important to South Africa's prospects for economic recovery and consequently it is important that the barriers to US business involvement in South Africa be removed.

The ANC knows this and the organisation has said that as soon as there is an announcement of an agreed date for elections and a Transitional Executive Council has been established, it will call for the lifting of economic sanctions on South Africa.

Among the most important of these are the sanctions maintained by more than 160 state and local governments in the US.

These remain a severe disincentive to businessmen who will not commit themselves to South Africa in any substantial sense until they are removed.

When the ANC calls for the lifting of sanctions many of these authorities are likely to respond accordingly, although the complete process will inevitably be slow and complicated. But this is not the problem. The real problem lies in the process whereby these sanctions were erected in the first place.

During the late 1960s and the decade that followed, the ANC and its allies worked assiduously and systematically to establish a network of sympathetic activists and organisations throughout the US, to exert pressure on apartheid and those who implemented it. This became an extensive network which was responsible not only for the across-the-board sanctions at state and city level but for the pressure on hundreds of US corporations which persuaded them to cut their ties with South Africa.

This network still exists and

represents a considerable potential for mobilising support for South Africa in future. But many of its members still adhere to the assumptions upon which they based their activism in the past and will not be easily persuaded to completely reverse their approach to US business and South Africa — to change from forcing them out of the country, to encouraging them to go back.

In the literature of this movement it is easy to detect views ranging from a scepticism of the motives of business to an assumption of the exploitative nature of capitalism and, in particular, of large, multinational corporations.

It was not surprising therefore, that when it became evident that the negotiation process in South Africa was moving to a point at which the ANC, in particular, would feel free to call for the lifting of economic sanctions, and that this was imminent, that the more alert and committed of these activists would devise a means of supplanting sanctions with different means of exercising

a degree of control over US business activities in South Africa.

It is now the stated policy of many of these groups to ensure that when sanctions are lifted they are supplanted by a mandatory requirement that any US business operating in South Africa should adhere to Cosatu's investment code or some similar code. The clear implication of this is that adherence to this code by US corporations would be monitored from the US with the involvement of the activist network.

This would mean that what ought to become an economic relationship would remain a politicised one. It would mean that the reasons why so many US corporations left South Africa in the first place would still apply. It would mean merely replacing one set of severe disincentives with another. It would mean that, in any substantial sense, US business would not return.

What has to be clearly understood is that US business does not object to the principle of an investment code. Investment codes

can be written to protect the interests of all parties. Their concern is about having their activities in South Africa monitored and judged by activist groups in the US, rather than by South Africans themselves. And for South Africa it comes down to a matter of sovereignty and the freedom to attract to its economy those foreign investors it wishes to, and to decide for itself the terms upon which it wishes to do business.

This is not an easy matter for the ANC. During its years of exile it relied on the support and assistance of its allies. Now it is having to ask them to change course and, if they are unable to, to step aside.

It is easy to suggest these activists are largely motivated by narrower interests. Certainly this would be true of many. Inevitably such a large grouping takes on a life of its own — its own views, its own bureaucracy and its own need to live. Also, the issue of South Africa always was, and still is, an extension of the civil rights debate in the US.

But it would be wrong to over-

look the reality that many of these people became involved because of a genuine desire to see a decent society emerge in South Africa. They presumably would wish it to be a prosperous one. They are therefore, a constituency that could be mobilised to get resources to flow into South Africa rather than out of it.

The call for the lifting of sanctions is consequently more than just that. It will be a call to put aside accumulated animosities from the past, to assist with the growing of the South African economy, and to those who have resources and are prepared to take risks to join in the South African enterprise on mutually agreed terms set in South Africa and not elsewhere.

This is another complex and difficult responsibility that the legacy of apartheid has thrust upon the ANC. But, as always, the overriding consideration is the magnitude of what is at stake.

Michael Christie is director of the South Africa Foundation's Washington office. □

~~SECRET~~ ~~TOP SECRET~~

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**US ready to help**

THE US was ready to give SA a kickstart, a beaming Archbishop Desmond Tutu said after a 30-minute Oval Office meeting with President Bill Clinton and senior US officials in Washington on Wednesday. Tutu said Clinton had expressed sympathy with his message that SA needed investment to deal with its massive problems.

BIOM  
21/5/93



# Can IBM weather storms of change?

Times (Bus) 23/5/93

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WHAT on earth happened at IBM? From being the world's most admired company and Titan of the information technology (IT) industry, it lost nearly \$5-billion last year.

More importantly, what are its prospects now?

The first is easier to answer. The industry changed and, like the leviathan it is, IBM's huge momentum prevented a change in course early enough.

The fundamental change was at the level of the micro-processor, the mass-produced silicon chips that are the brains of modern, smaller computers. The power/performance they offer is proportionately much greater than that of IBM's mainframe-based technology.

## Growing

Hence there has been a big swing away from mainframes and towards networks of personal computers.

Up to 1991, the mainframe market, of which IBM is still estimated to hold more than 80%, was growing at 15% a year and providing margins as high as 70%.

In those days, IBM could count on mainframes for more than 40% of its revenue and 60% of its profits. But, now past its peak, the mainframe market has gone into actual decline and margins are under pressure.

While IBM was slow to change, there are strong signs that the changes that have been made are starting to have an effect. Last year IBM restructured into 13 separate, more-or-less independent business operations. Event-

ually, this could lead to the separate listing of some of these so-called "baby blues".

IBM is also moving into new areas and forging new alliances. Both elements are present in its recent move to establish a presence in the growing market for Unix databases with the release of a version of its mainframe DB2 product for Unix.

Later this year, IBM will release a version of Sybase's database product for its RISC

the next generation of operating systems software from IBM's former ally and now rival for the title of top IT company, Microsoft.

IBM is already demonstrating its "next-generation" personal systems operating software, Workplace OS, which has been designed to run DOS, OS/2, Windows and Unix applications together on a single system.

In another headline-making alliance, IBM and Word-

plans to add a new line of "scalable" parallel systems based on System/390 micro-processors.

Parallel computers, which multiple processors work simultaneously on different portions of a problem, offer a new and cheaper way of tackling big problems than do conventional "serial" mainframes.

But is IBM merely pushing into potentially profitable areas, or does it have an over-

## A Business Times CORPORATE SURVEY

System/6000 line of intelligent workstations.

IBM is also set on achieving a major share of the market for 486 chips. Recently it signed its first two contracts with component firms Alaris and ETEQ Microsystems to produce motherboards based on the 486SLC2 processor.

## Strong

In what is perhaps its most promising alliance, IBM is jointly developing with former rivals Apple Computers and Motorola the "PowerPC" platform based on a new Reduced Instruction Set Computing (RISC) processor.

IBM is also co-operating with Apple Computer in the development of a new operating system, codenamed Pink. This is the software that does a computer's housekeeping work, as DOS does for the PC.

IBM already has a successor to DOS — OS/2 — which will undoubtedly be a strong competitor for Windows NT,

Perfect have signed a three-year joint development agreement to ensure that the latter's top-selling word-processing package works transparently across several IBM operating systems.

Meanwhile, IBM's mainframe arm, the Enterprise Systems (ES) business unit, introduced 18 new mainframe systems in February and

all strategy? In fact, the restructuring requires multiple strategies as IBM finds itself competing against itself in many areas.

Even such robust critics as long-time industry observer Stewart Alsop acknowledge that "IBM still has the brains to be a player in client/server platforms, and that OS/2 is a good platform for it".

# Local skills highly rated

SITTING (12455) 23/1/93

WHEN IBM succumbed to anti-apartheid pressure and withdrew from South Africa, many business people who had invested heavily in the technology feared the worst.

These fears were summed up by the CEO of a major bank who asked ISG group executive WJH "Willie" Scholtz: "Will you be able to keep your skilled people, and will you continue to have IBM back-up and access to the fruits of its research and development?"

In the event, says Mr Scholtz, his company's affirmative answer to those questions has proved correct.

"The sanctions issue was very unsettling," he says, "but we and our customers recovered from the shock of IBM's pullout within a few months."

To counter any possible siege situation, the SA successor to IBM SA invested heavily in spares and skills training.

"We made sure we had enough components and spares to survive and took every opportunity to get our people into IBM laboratories so their skills were honed to the point where they were as good as world experts," says Scholtz.

# US computer giant to set up shop in SA

*Star 26/5/93*

By Sven Lünsche (62)

The world's third-largest computer group, US-based Digital Equipment Corporation (DEC), is to set up a wholly owned subsidiary in South Africa in July.

It is the first major American company to take a stake in the country's future since the large-scale disinvestment of the Eighties.

The establishment of Digital SA will be accompanied by significant investment in education and black business.

Announcing the deal yesterday, DEC vice-president for strategic resources, John Sims, said despite volatility in SA "now was the time to invest".

"We have consulted widely with leaders across the political

spectrum and with our major multinational customers who operate here and they have all said it is time," Sims told a press conference.

He said an estimated \$2 billion was invested in the SA information technology industry annually, which made it the largest market in the world in which the group was not invested.

DEC last year reported worldwide sales of \$14 billion from its operations in 99 countries.

US Ambassador Princeton Lyman said earlier that more US companies were likely to follow DEC's lead.

Outlining details of the investment, Alan Peters, general manager of Digital SA, said the new company would provide sales and back-up for DEC's wide range of computer systems.

While refusing to divulge sales details, Peters said Digital SA

aimed to be a market leader in its field of operation.

It is estimated that current sales of DEC equipment in SA total R50 million to R100 million a year and that about 800 local companies have DEC systems installed.

Peters said DEC, which had been strongly opposed to investments in "Apartheid SA", did not authorise sales in this country.

However, industry sources say that most sales were conducted through Olivetti Information Technology, which has been appointed by Digital SA as one of the authorised resellers of DEC products and solutions.

Digital SA will also extend its successful Reach educational project to South Africa, in terms of which 100 scholars a year will be selected for a four-year fully funded educational programme.



Alan Peters . . . aiming to be a market leader

## First black-controlled computer firm formed

*Star 26/5/93*

By Sven Lunsche

The first black-controlled computer group in South Africa, Bheki Computer Systems, has been formed in the wake of Digital's entry.

Bheki has been named as one of the two local value-added resellers of Digital products, the result of three years of negotiations between black businessmen and Digital.

The operational core business of the new group is DDS Computer Systems, an independent

company acquired by Bheki because of its experience in the Digital backup market.

Bheki is backed 25 percent by SA's third-largest information technology group, Perasetech, which has two seats on the Bheki board.

The Thebe Investment Corporation is the largest shareholder with 45 percent.

Chairman of Thebe, businessman and former KaNgwane Chief Minister Enos Mabuza, will also chair the new group.

Thebe itself is owned by a

trust controlled by senior ANC leaders including Nelson Mandela and Walter Sisulu.

Mabuza defines Thebe's main task as redressing the economic imbalances caused by apartheid.

Bheki will be managed by Gibson Thula, whose Vela International will hold 25 percent of the new group. The remaining ten percent in Bheki will eventually be owned by staff.

Thula said yesterday that Bheki had a strong track record based on the fact that DDS had

been operating successfully and profitably in the Digital market for some time.

He said Bheki hoped to improve computer usage across a range of community organisations, government and parastatal and business enterprises.

"We want to develop our own competitive edge and not receive favours as a result of our majority black shareholding," he said.

DDS managing director Mike Bogatie becomes operational director of Bheki, which will start operations on July 1.



## Key players agree on new network standard

ATLANTA — Hewlett-Packard, IBM, Microsoft and Novell said they would work together to establish, support and implement open standards for network printing management. *BIDAM 2715793*

In a news release, the companies said that specifically, they had agreed to support simple network management protocol (SNMP) as a standard for managing peripherals on a local area network (LAN). *(55)*

SNMP plays a key role in a network printing strategy by providing device control and monitoring. It offers a protocol that works within many standard network-management systems rather than creating a separate protocol just for peripherals. *(62)*

The companies said they believed this open standard would make it easier for administrators to provide consistent device control over networks.

Hewlett-Packard also said it supported the concept of defining an open, industry-standard management information base (MIB) for network printing and was now investigating how it might best be developed.

The company said its HP Laserjet 4SI and 4SI MX printers "are good examples of the type of network printer solution that can result from working closely with companies such as IBM, Microsoft and Novell".

Both printers offer bidirectional communications and SNMP support. The HP Laserjet 4SI MX with its HP Jetdirect interface automatically switches between protocols and supports 10 major operating systems, including IBM's OS/2 LAN server, Microsoft's LAN manager, Windows for workgroups and Windows NT, and Novell's netware. — AP-DJ.

## Coup for black company ~~(S)~~

A BLACK-CONTROLLED company has been appointed distributor in South Africa of products of a leading American computer giant. *Soweto 28/5/93*

The newly formed Bheki Computer Systems has taken over the operations of a South African information technology company, DDS, to distribute equipment of the US-based Digital Equipment Corporation. DEC will establish its wholly-owned subsidiary in South Africa, then BCS and another computer company will have exclusive rights to sell the equipment. ~~(S)~~ (b2)

# New Chinese VW order saves 700 from lay-off

SI Times (Buss)

30/5/93

VOLKSWAGEN SA will supply a further 17 000 left-hand drive Jettas to China, preventing retrenchment of about 700 workers.

The order, worth more than R500-million, follows one signed last year for 12 500 second-generation Jettas for FAW-Volkswagen (FAW-VW), a venture between Volkswagen of Germany and the Chinese Government.

The first shipment of this R400-million consignment was made in May last year and 10 000 cars have been

By DON ROBERTSON

delivered. It is expected that deliveries for the new semi-knocked down order will begin next year at a rate of about 1 200 a month.

Trade between China and SA has been in favour of the Chinese. Last year, SA imported goods worth R709-million from China and exported R489-million, most of which was Jettas.

Chairman and managing director Peter Searle says: "We believe exports to be of crucial importance to the

present economic situation in the country. The increased order also protects about 700 jobs at VWSA and many more in the component industry."

Because of the stagnant motor industry, VWSA recently held negotiations with unions about possible forced retrenchment of between 500 and 1 000 workers. A voluntary retrenchment and early retirement programme is still in operation.

Lin Ganwei, president of FAW-Volkswagen, and his

board visited the Uitenhage plant and announced the contract.

He says: "We are pleased to be able to continue our relationship with VWSA and see further opportunities for business as the Chinese economy is developing fast and we require this volume to support us through the start-up phase of our factory in Chang Chung."

The deal will go a long way to restoring VWSA's profitability. In its report for the year to December, Volkswagen AG said VWSA suffered a small loss.

## Engen going for a London listing

SI Times (Buss)

30/5/93

(62)

ENGEN plans a London Stock Exchange listing, possibly before the yearend, to boost its international expansion.

Engen investor relations manager Abbas Gani says the main aims of the listing are to raise the company's international profile and to have structures in place when it needs to raise capital.

"Opportunities knock on our door frequently and we want to have everything in place so that we can take advantage of them quickly."

But the proposed listing is not linked to any specific project or acquisition at this stage, he says.

Engen is believed to be evaluating acquisition options involving oil in West Africa. Its evaluation includes funding its growing exploration in the area.

Engen boss Rob Angel was in London two weeks ago introducing the group to the press, investment analysts and institutions. The group expanded its London office by moving part of its logistics division there a fortnight ago.

Mr Gani says the listing is in line with Engen's wish to be involved in the exploration and production of half of its crude throughput.

By ZILLA EFRAT

"To do this will involve major capital."

One advantage of a London listing is that it could help to overcome the increasing foreign-exchange difficulties that SA companies face when making acquisitions abroad.

Mr Gani says Engen will be listed in London only when the political climate in South Africa is conducive.

He says Gencor's proposed unbundling is regarded favourably by British investors because it will improve the tradeability of Engen shares.

Once Gencor and Genbel release their 70% stake, the number of Engen shares in public hands will jump from 28,2% to 64,6%.

Sanlam is likely to be the largest shareholder with 22%, followed by Rembrandt Group and Old Mutual.

Gencor's unbundling may also result in its selling its 5,8% stake in the Alba and Britannia oilfields in the North Sea because they do not fit in with its core mining business. Engen holds a 2,2% stake in the venture.

Mr Gani says Engen might be interested in buying these interests "if the price is right". It will depend on prospects for crude-oil prices.

## Alfa takes on the biggies

SI Times (Buss)

30/5/93

By JEREMY WOODS

AS covers were whipped off imported Alfa Romeos in showrooms round the country this week, Brian Taylor, managing director of Alfa Romeo Concessionaires, said: "We are out to nail sales of BMW and Mercedes."

Alfa Romeo has returned with a range of cars not seen in South Africa before.

Mr Taylor says: "If our

prices are comparable — and in some cases more competitive — we believe the discerning buyer will prefer a fully imported European-built car to one built here."

Franchises to sell Alfa Romeos are "being snapped up at a frantic rate" both for SA and other African countries.

## BUSINESS BRIEFS

### Russian gold forecast

RUSSIA lifted its veil of secrecy over gold production and exports, forecasting a steady 1993 production and promising a "balanced and moderate approach" to selling gold on world markets.

Yevgeny Bychkov, chairman of the precious metals committee, told a rare news conference that Russia had produced 146 tons of gold in 1992 and expected to produce the same in 1993.

Exports totalled 98 tons in 1992 and the country, a major producer, had sold 21 tons of gold abroad so far this year.

"I do not think sales of gold will change substantially," Bychkov said. "The government has a balanced and moderate approach to the matter."

Figures for gold production, exports and reserves were for long a closely guarded secret in the Soviet Union.

### Eskom to help Cahora Bassa

THE Government has accepted a proposal by Eskom to help finance rehabilitation of the Cahora Bassa hydro-electric scheme in Mozambique, says Mineral and Energy Affairs Minister George Bartlett.

The scheme on the Zambezi River was financed by South Africa, Mozambique and Portugal in 1969, but has worked for only a few weeks.

### Zambia buying SA petroleum

ZAMBIA has started importing all its petroleum products from SA after the temporary closure of its only refinery.

Indeni Oil Refinery in Ndola is being reconditioned. Zambia Deputy Energy Minister Colonel Patrick Kafumukache says supplies from SA have already started arriving in Zambia, which intends changing some of its petroleum product suppliers to SA.

### Nigeria at SA exhibition

A MAJOR promotional drive is under way in Africa and the Middle East to attract high-level businessmen to South Africa's largest technology show ever, The Africa Initiative.

Nigeria, which still has sanctions against South Africa, is expected to send the largest delegation to this five-day business olympiad to be held at Johannesburg's National Exhibition Centre at the end of August.

### SAA heads back to Angola

SAA, in association with Angolan carrier TAAG, will resume weekly flights to Luanda from next Monday. Flights started between Johannesburg and Luanda in April 1992 but were suspended in October due to the unrest in Angola. SAA said the new flights would leave Johannesburg at 9:15am on Mondays arriving in Luanda at 11:50 am.

### Racy under investigation

A TRADE AND INDUSTRY inspector has been appointed to investigate the affairs of Racy, which sold its assets to three directors at a discount to net asset value earlier this year. The inspection follows the legal recourse offered disgruntled minority shareholders.

## Access gained to top research

US TECHNOLOGY researcher Forrester Research Inc has appointed SA-based Client-Server SA its local business partner, making possible local access to authoritative research on business and technology issues.

Client-Server SA director Nick Orton says: "The reports are useful for decisions relating to areas like downsizing, distributed computing, databases, image systems and many other 'new world' technologies which affect the way firms compete."

Forrester has more than 8,000 clients. It uses the research of the US Fortune 1 000 companies, analysing relationships between computing, network and software technologies and their effects on business.

In a recent report, Forrester examined the effect of the delay in introducing Windows NT: it bought time for Novell and would leave Digital Equipment Corporation "strung out. There will be no turnaround in Maynard without NT. The company needs the product to drive volume shipments of its Alpha AXP systems. Also, IBM's OS/2 wins a reprieve... it gives IBM another crack at positioning OS/2 for client/server, something the company has failed to accomplish to date."

8/10/93 3/16/93

## Symposium set for July

THE critical role of telecommunications under an interim government will be the subject of a symposium scheduled for July.

The symposium will be hosted by the Centre for the Development of Information and Telecommunications Policy. *Buss-day*

The centre plans to formulate recommendations which will be forwarded to the negotiating council's technical committee dealing with telecommunications regulations.

The centre believes access to telecommunications is a prerequisite for socio-economic growth and technological development. *(2/10)*

It says access to telecommunications is a "basic human right and an important condition for freedom of speech and democracy."

"At present more than 60% of the population is hampered in its participation in the economy by being denied such access."

A source from this centre says it is essential for all interested parties to work together towards a common regulatory environment which will cater for the needs of all sectors of the community. *3/16/93*

International trends in telecommunications regulations will be discussed by international regulators, foreign telecommunications union members and members of the Southern African Transport and Communications Commission.

Sponsored by First National Bank, the symposium will run in Sandton from July 28-30.

## R55m mainframe installed at Eskom

ESKOM has installed a mainframe computer valued at about R55m from Large Scale Systems. The Amdahl 5995M Model 5670 machine is believed to be the largest commercial mainframe computer in the southern hemisphere. *(2/10)*

Eskom IT production manager Andre Hofer said the system would replace six of Eskom's existing main-

frames and supplement another two mainframes. *Buss-day*

It had one gigabyte of main storage, 512 megabytes of expanded storage, 160 channels and weighed 27 tons. *3/16/93*

Some of Eskom's existing mainframes were seven years old, and maintenance costs tended to increase with the age of the machines, he said.

SITimes [C Metro] 1316193 (62)

# Computer giant's huge new investment in SA

By JEREMY WOODS  
DIGITAL Equipment Corporation, the second-largest computer company in America next to IBM, is moving into South Africa with a long-term commitment and an investment that "will run into tens of millions of dollars".

Digital has a \$14-billion (R42 billion) annual turnover in 100 countries, while some 65 per cent of its business is done outside America.

The company is opening a new, wholly owned subsidiary here, becoming America's first major technology company to make a direct commitment to the new South Africa.

"This is a historic decision for Digital and one we have been waiting for with great antici-



TENS OF MILLIONS OF DOLLARS ... John Sims of Digital

pation," Mr John Sims, the corporation's vice president of strategic resources, said in Cape Town last week.

"We have been closely monitoring the economic, political and social climate in South Africa

for the past two years, and the time has come to participate rather than observe."

He said the corporation arrived with a firm commitment to establish a lasting presence in SA, and "with the confidence that the country has turned the corner toward a new day".

Digital believes there is a strong market for its products here and a positive and constructive role for the company to play in the development of high technology in South Africa.

In a second move, the company has signed a distribution agreement with Bhekesizwe Computer Systems, making it one of only two value-added resellers of Digital products in South Africa.

Bhekesizwe is a black-owned company situated near Johannesburg.

Its major shareholder is the Thebe Investment Corporation.

Under this deal, Bhekesizwe will be able to use Digital products and technology in conjunction with its own products, and sell them on an exclusive basis.

**O**N THE assumption that a firm election date and the formation of transitional executive councils are announced on June 25, President Bill Clinton will have comfortable words for SA on July 4 when he travels to Philadelphia to hang medals around the necks of President F W de Klerk and ANC president Nelson Mandela.

After congratulating the sanctioneers for having made this moment possible, he will call for the removal of remaining state and local boycotts and the resumption of lending by the World Bank and IMF. He will pledge to urge his G-7 partners, whom he will meet in Tokyo three days later, to ante up for a multilateral assistance package. He will encourage investors to re-engage.

The immediate goal of US policy, he will probably suggest, is to ensure the success of the elections. To which end, he may announce that he hopes to set aside \$10m in "democracy money" for voter education and similar projects. For the longer term, he may proffer loan guarantees for housing construction. It is by now well understood that what happens after the elections is as important as the voting itself and that no settlement will last unless it is accompanied by tangible economic and social benefits.

**T**here is one idea circulating which Clinton will hopefully eschew: the replacement of ambassador Princeton Lyman by some notable African-American. Former UN ambassador Andrew Young is among those mentioned. Some wits have even suggested sending Lam Gulinier, whose writings on the need for minority vetoes over "own affairs" cost her her nomination as the justice department's civil rights czar.

Because of his handling of the Guinier affair, and other perceived slights to the black political establishment, Clinton is in the market for an appeasing gesture, preferably a cheap one. The SA job looks tempting, but Lyman has powerful supporters — including Secretary of State Warren Christopher — strongly opposed to his premature recall, and his performance is getting rave reviews. More to the point, it would seem strange, even by Clinton's demanding standards, to mark SA's transition to nonracial democracy

# Clinton has awards and rewards in mind for new SA

B/day 1516193

**SIMON BARBER in Washington**

removing state and local boycotts is inertia. Local politicians and bureaucrats have scores of other matters on their agendas and, in most cases, changing laws and regulations is as cumbersome a process as getting them adopted in the first place.

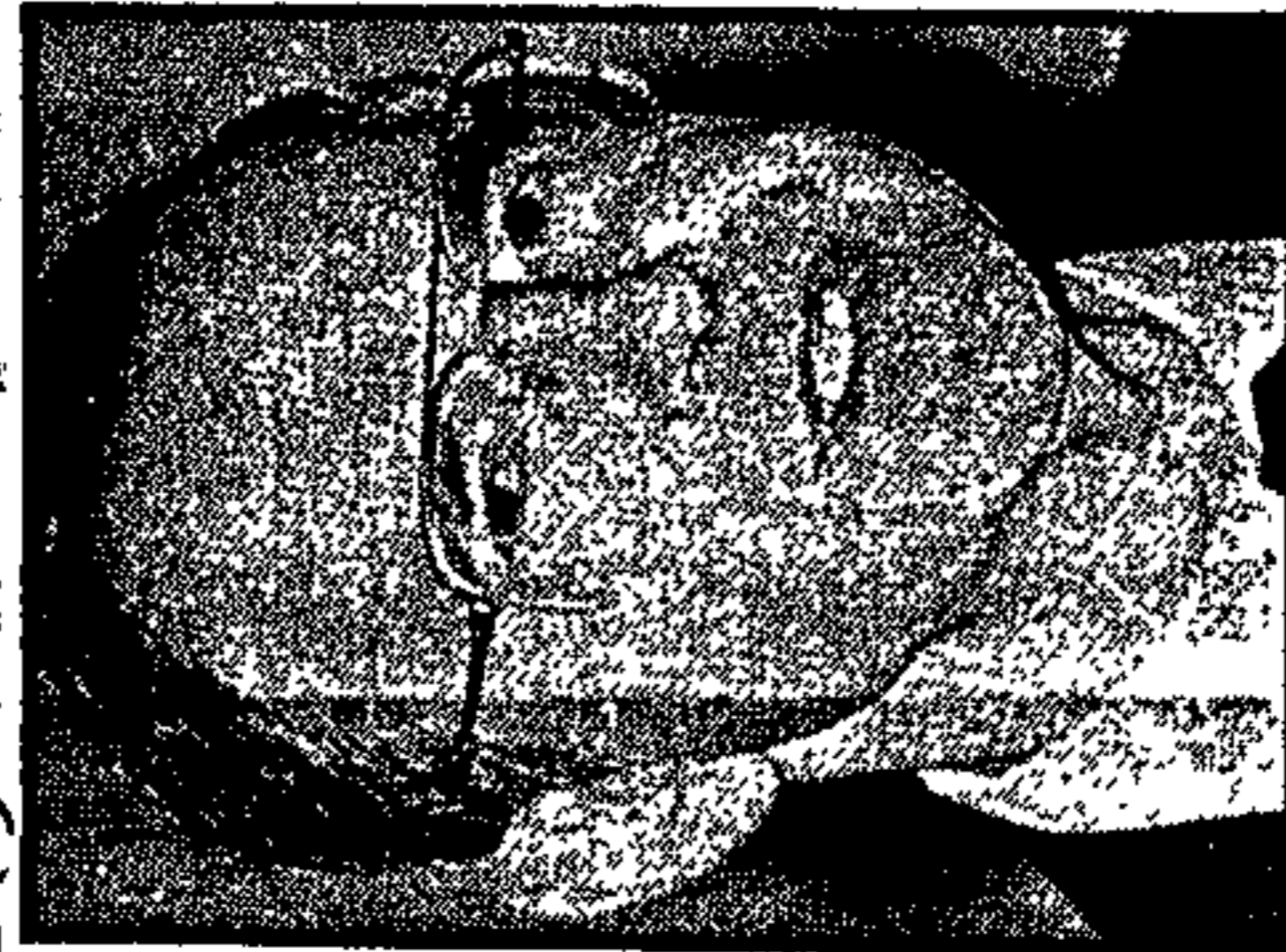
And while companies have regional lobbyists to deal with such questions, focusing the troops' attention is itself a chore. Most are trying to bring home the bacon for their companies on issues that count like taxes and environmental regulations, and are reluctant to spend lobbying capital on sideshows. O'Flaherty is pleased that at a recent meeting of NFTC members in New York, 23 corporations agreed to order their local representatives to give SA a high priority.

The formation of the Business Council has ruffled some feathers. John Chettle, a former Washington director of the SA Foundation, had a similar idea and teamed up with Wayne Fredericks, a former Ford executive, to launch a group calling itself the SA-America Chamber of Commerce.

Fredericks, who has cultivated close ties with the ANC, obtained a letter of blessing from Mandela and used his long association with the Kennedys to arrange a meeting with Kennedy family guru Theodore Sorenson. A decorous board was assembled, including appellate judge Leon Higginbotham, until his retirement one of the most senior African-Americans on the federal bench.

**T**he venture relied on raising corporate funding. Alas for the chamber, the corporations chose to go with O'Flaherty who had already been serving them through the NFTC, and who offered a readymade vehicle (though not a Mandela letter). This has led to a degree of ill-feeling, with the chamber believing it has been stabbed in the back by the Business Council. One can only hope that any ensuing rivalry will not defeat the larger purpose.

A final observation: there are altogether too many letters of support signed by Mandela and other senior ANC officials floating around out there. Almost no one, it seems, feels free to do anything that might help the SA economy unless he has a bit of paper from Shell House. This is becoming a joke. It's as if the ANC were handing out indulgences like medieval popes.



□ LYMAN

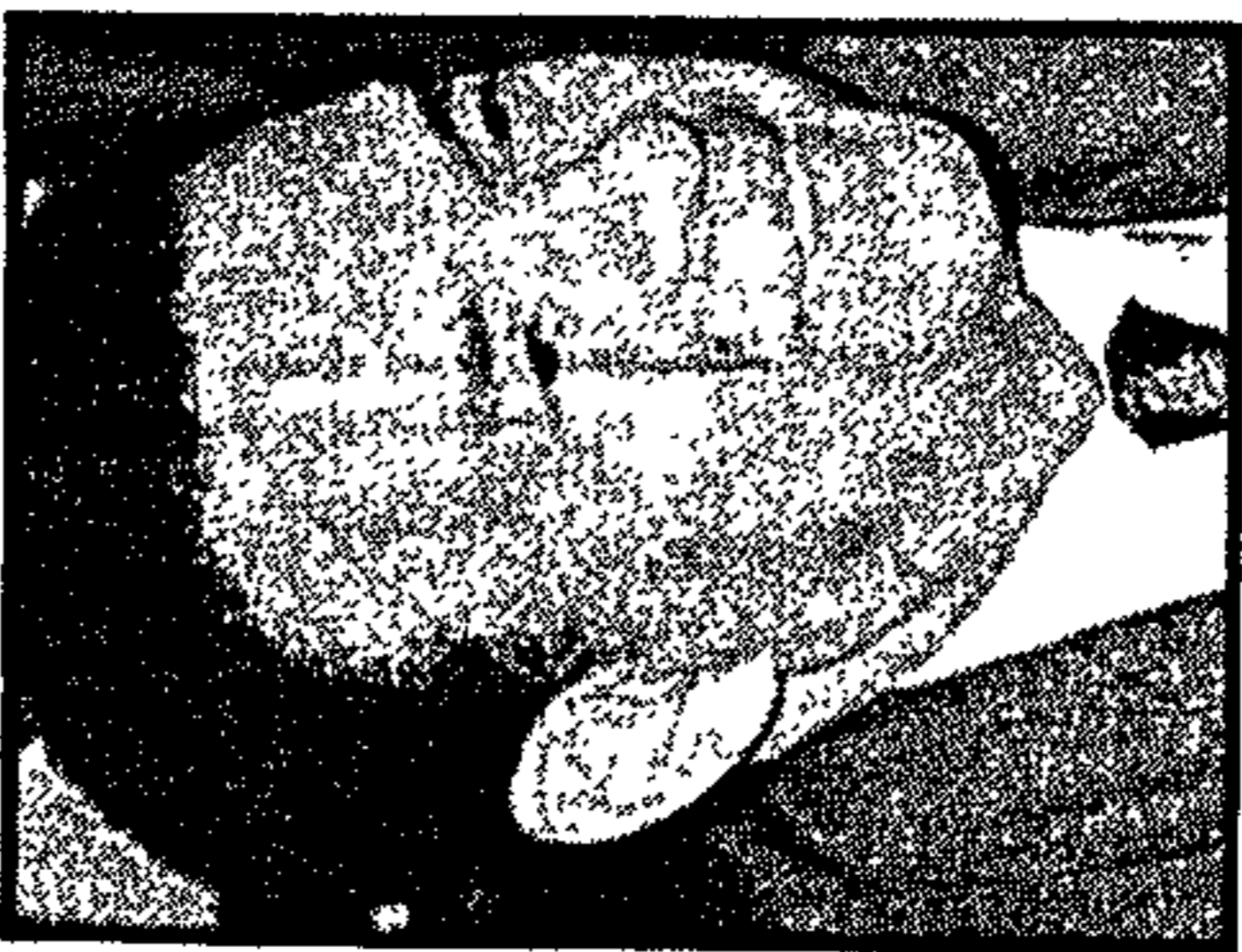
major US corporations to ensure state and local boycotts are repealed when Mandela gives the word. The council will also assist companies wishing to return, or make first-time investments, and prod federal entities like the Overseas Private Investment Corporation, the Export-Import Bank and the Trade and Development Agency to co-operate. The operation is being run by Dan O'Flaherty, director of the National Foreign Trade Council (NFTC). He has been under serious consideration for an Africa post in the State Department and has been closely involved with the SA issue for years. In his view, a major difficulty in

part a reluctance to say goodbye to a cause that has been driven as much by domestic concerns as by apartheid. But that is not the whole of it. Some caucus members seem to believe their own historical experience with whites has made them wiser than the ANC. "Unless you hold something over the heads of these people," House Africa subcommittee member, Congressman Don Payne, said recently, "you may not get there. You have to constantly have some external force."

Such notions, combined with an aggressive and insular ignorance, underlie attempts even now to impose or strengthen state boycotts despite repeated calls from the ANC to desist. Just last week, a Pennsylvania state legislator introduced no less than eight Bills requiring the divestment of state funds for companies doing business with SA and, yes, Namibia. The same legislator has bitterly criticised De Klerk's invitation to next month's award ceremony, and appears to think Mandela a fool for agreeing to share both podium and honour.

Perhaps unsurprisingly, there is little evidence that outfits like TransAfrica, the Africa Fund and the Interfaith Centre on Corporate Responsibility, which spearheaded the sanctions campaign, are moving to correct such zealotry. Fortunately, SA still has enough going for it that US business is moving to fill the gap.

Last week saw the launch of the US-SA Business Council, a Washington-based lobbying group founded by



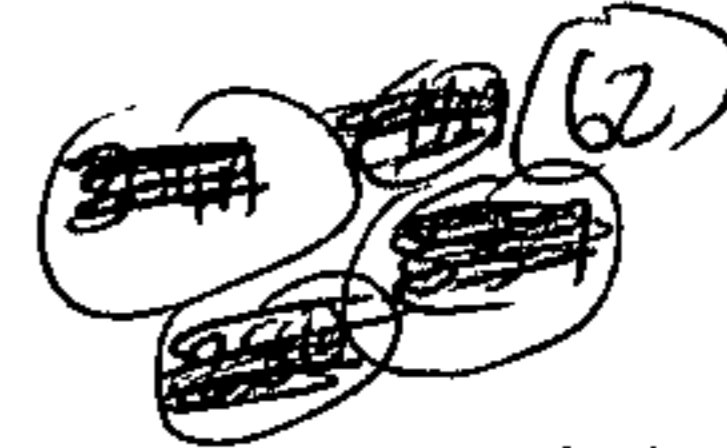
□ YOUNG

by an overtly racist act. Clinton's problems with groups like the Congressional Black Caucus may cause other hassles for his SA policy. As bizarre as it may sound, Clinton's decision to call for the lifting of remaining sanctions and to promote investment may be opposed by the caucus and others regardless of the fact that he will be doing Mandela's bidding.

A number of black legislators, at the federal and local levels, are already saying that it will take more than a joint declaration by Clinton and Mandela to get them to shift their stance. Part of this may be sheer political bloody-mindedness,

FM 18/6/93

# Oasis or mirage?



**ANC leader** Nelson Mandela is expected to call for the lifting of all remaining US sanctions when he goes to America next month. He and President F W de Klerk are due to receive the Philadelphia Freedom Bell Award from President Bill Clinton on July 4.

The acceptance by multiparty negotiators of a provisional general election date and the expected establishment of a Transitional Executive Council (TEC) before the end of the month would meet the requirements Mandela has repeatedly set for an end to sanctions.

In this context, government's chief negotiator Roelf Meyer in parliament last week proposed hastening the onset of the TEC without immediately going through the legislative process — subject to agreement by the negotiating council in Kempton Park. Another indication that the TEC could soon be in business is that government has already identified premises in Pretoria to house TEC subcouncils.

Though former president George Bush lifted nearly all federal sanctions in July 1991, many states and cities still enforce restrictions on companies that operate in SA.

A call by Mandela would not lead to a significant inflow of new investment but it would be psychologically important and could pave the way for the repeal of the Gramm Amendment, which blocks SA's access to IMF facilities.

The scrapping of remaining sanctions will provide a penalty-free platform for many US companies to consider new business ventures in SA. However, there is concern that city and state legislators may not regard the repeal of restrictions as a priority and this could delay the resumption of normal trade ties.

At least eight US cities and states still have sanctions laws against Namibia, more than three years after independence. New York City, for example, applies what are regarded as the harshest restrictions against companies with SA ties. They include loss of city contracts and withdrawal of investments in those companies by city employees' pension funds.

Ruby Ryles, assistant press secretary to New York mayor David Dinkins, says a decision to lift sanctions will depend on Dinkins's assessment of progress towards democracy in SA. She says he is aware of the importance of lifting sanctions at the appropriate time, and can see no reason why the move should be delayed once that time arrives.

But sceptics point out that even in New York City references to Namibia were only removed from some sanctions regulations in February 1991, nearly a year after indepen-

dence. However, the close ties between Dinkins and Mandela point to a special effort being made to facilitate the resumption of trade and investment.

At present 27 states, 89 cities and 25 districts in the US still have sanctions against SA, according to the Department of Trade & Industry.

Even after sanctions go, SA is likely to remain a fairly low priority for American companies. Earlier this year US ambassador to SA Princeton Lyman said he believed there was little chance of a return to the situation as it was in the Eighties, when 360 US companies had investments worth \$2,7bn in SA. By this year the number had dropped to 110 companies, with investments totalling only \$1bn.

He expects US companies to adopt a cautious approach to SA and to look at other opportunities as well, such as the Pacific Rim or the North American Free Trade area.

# DEC subsidiary aims to rank among top three

B/Dey 2/16/93

WHEN Digital Equipment Corporation (DEC) announced the launch of a local subsidiary last month, many local companies wondered whether there was room for another vendor in the overtraded market.

DEC is the third largest US computer supplier, with worldwide revenues of \$14bn. The SA subsidiary, called Digital SA, hopes to have a staff of about 400 in a couple of years, and says its position in the local market could mirror that in other markets worldwide where it is ranked among the top three IT vendors.



ALAN PETERS

## Represented

GM Alan Peters says DEC is now represented in 14 African countries, either through subsidiaries or distributors. "More than 60% of our revenues in 1992 came from countries outside the US," he says.

Because DEC supplies all systems needed for "enterprise network computing", it has been a popular choice when companies have decided to downsize or right-size computer installations.

An Aberdeen Group research report describes

DEC as having put together a new vision and strategy of putting customers first. "... the company is asking more objectively what customers want and will pay for, rather than assuming that 'Digital knows best'."

It says that today's computing environments often employ multiple operating systems, partly for historic reasons and partly to take advantage of applications written for each operating system.

"Users have learned that the shrilly-touted, one-operating-system-fits-all panacea of the late-'80s was

sorely wanting in practice.

Users have now moved onto higher level issues, including client/servers, graphical user interfaces, new tools and techniques and sophisticated relational database systems.

The report says that in the process, operating systems, like communications protocols, are becoming part of the infrastructure. Users must choose what they need to get the job done best.

Digital offers four of the most popular operating systems of the '80s and '90s.

## Robust

These include Open VMS, one of two robust, industrial-grade operating systems remaining, the other being IBM's MVS. It also offers DEC OSF/1, a unified Unix based on a joint direction from both the Open System Foundation and Unix System Laboratories.

Microsoft Windows NT, the successor to Microsoft DOS and the most widely-used operating system, is offered, alongside is Novell's NetWare, the world's most popular LAN operating system.



## IBM within <sup>Store</sup> reach of all

Business Staff

(62)

An IBM computer product range is to be mass-marketed through a retail chain for the first time in South Africa, bringing low entry cost "off the shelf" computerisation within easy reach of a broad market base. 22/1/93

In terms of the deal between Mathieson & Ashley's Office Mart and IBM Personal Systems, the IBM PS/1 brand of personal computers and related products is to be marketed by discount office requisites group Officemart. (150)

# On the road to excellence

Star 2316193

The success formula of Armstrong Ford, one of the country's largest Ford dealerships, is based on outstanding expertise in financing, an excellent range and superb service. (62)

In today's highly complex and competitive vehicle fleet market the need is for total excellence.

Armstrong Ford of Johannesburg, which is one of the country's largest Ford dealerships, meets that need with uncompromising standards in products and services supplied to greater Johannesburg.

The Armstrong Ford success formula, built up over years of experience is:

- Outstanding expertise in structuring tailor-made financing packages.
- Technical proficiency of a very high standard.
- A value-for-money passenger and commercial product range that meets the needs of the modern fleet owner or operator.
- Superb after-sales service and warranties.
- Depth of management that ensures the various facets of the business mesh effectively.

## FINANCE

Sales manager of vehicle purchasing Gavin Brereton says: "Vehicle purchasing, maintenance costs and vehi-



All under one roof ... Armstrong Ford's premises.

cle disposal costs are a major concern in the current fleet business environment.

"There is a wide spectrum of financing options available to our customers. No client's needs are identical and we take great pride in being able to structure packages that suit specific requirements.

And for peace of mind motoring the dealership also offers a Guaranteed Extended Service Plan which extends your factory warranty to three years/100 000kms and the Ford Card Maintenance Plans.

## RANGE

Armstrong Ford's range is

highly relevant in the current climate. In terms of passenger vehicles, it varies from the low entry level Laser 1.3 to the Meteor GLi 2.0 16V, the newly released Telstar 2.0GL, 2.0iV6, 2.5i Ghia and the spectacular 2.5iV6 TX5 which has changed the way people perceive Fords.

The commercial range includes the ever-popular Bantam half-tonner, the Courier range of 1800, 2200 and 3000 1-ton LCVs, the reliable Husky pickup and Spectron 16 seater bus and the 3.0 and 3.5 ton Triton mediums.

## PARTS

All Ford genuine parts carry a basic six month or 10 000 km warranty, and are guaranteed to be available for up to 10 years after the launch of a new vehicle.

An inventory in excess of R4 million ranging from basic spark plugs to body panels.

## SERVICE DEPARTMENT

Customer service and satisfaction is paramount and the dealership's efficient, well-trained technicians, backed by state-of-the-art equipment, provide a level of service support that is one of Armstrong Ford's cornerstones.

An outstanding aspect of this department is its FREE lifetime service guarantee on all qualifying paid for repairs.

## USED VEHICLE DEPARTMENT

Armstrong's used vehicle department carries a wide range of vehicles - everything from low mileage "demos" to voetstoets cars and light commercials.

This then is Armstrong Ford, a balanced mix of sales, finance, back-up and used vehicles - all under one roof at its sprawling facilities on the corner of John and Prop streets, Selby.

For more information about the products and services of Armstrong Ford please telephone (011) 493-9493.

# Congress set to ease up on US investors in SA

B1 Day 24/6/93

WASHINGTON — US companies with more than 25 employees in SA may be relieved of the burden of registering with the state department and reporting annually on their SA employment practices and social expenditures as soon as SA elections are held.

After intense lobbying by American business, the authors of a Bill repealing remaining US economic sanctions have agreed to drop an earlier demand that congressionally mandated employment practices for US companies in SA be retained until a new government adopted its own code.

The repeal Bill initiated by Senator Nancy Kassebaum and Senate Africa subcommittee chairman Paul Simon is set to speed

**SIMON BARBER**

through Congress without committee hearings as soon as ANC president Nelson Mandela gives the word.

In its new form, the Bill means that Congress agrees that the private sector is the engine of growth and development for SA.

US National Foreign Trade Council director Dan O'Flaherty, who lobbied for the change, said the mandatory employment standards grew out of the code of conduct developed by the Rev Leon Sullivan in the late '70s.

He said it was "critical" that Mandela be in a position to announce a firm election date and the creation of transitional executive committees by next Sunday, when he and President F W de Klerk received freedom medals in Phila-

delphia.

O'Flaherty said dropping the legal requirement would not change companies' behaviour, but would remove bureaucratic red tape that had become an important disincentive to new US investment.

If he does not, the US investor's newly rekindled interest in SA could start to wane, he said.

GAVIN DU VENAGE reports that the SA American Chamber of Business had condemned the initial form of the Bill.

Chamber executive director Michelle Cohen said yesterday the code would have had "onerous cost-implications" for US companies wanting to invest, and they would look for better prospects elsewhere. Several companies had already abandoned plans to move into SA because of the proposal.

# Increased US interest in SA after gold rally

B1 Day 25/6/93

(62)

(413)

TIM MARSLAND

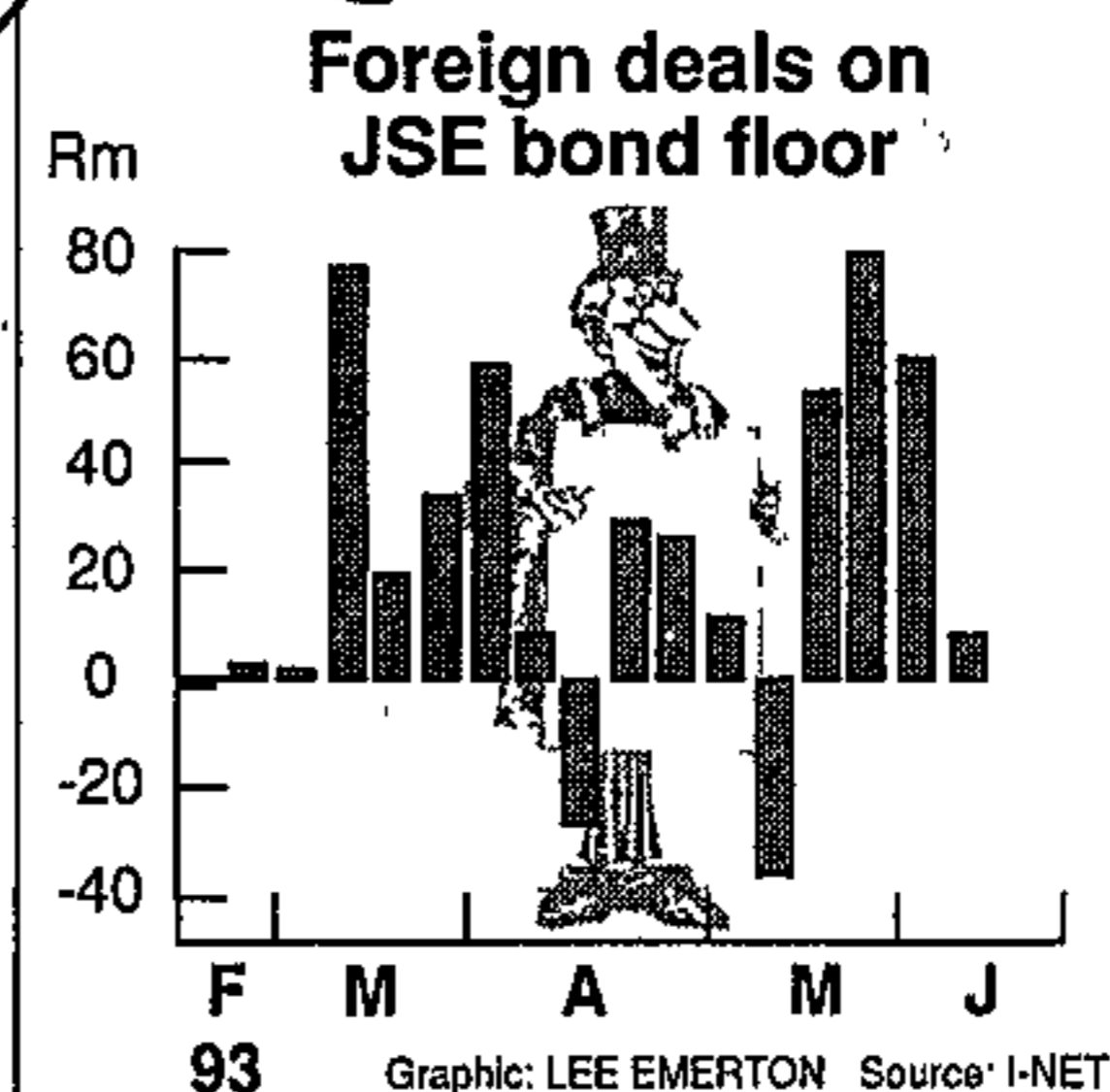
US investment was again flowing into the local capital market as a result of better sentiment towards the country because of the rally in gold shares, analysts said.

London stockbroker Credit Lyonnais Laing analyst James Leahy said yesterday there had been a considerable increase in inquiries from the US due to more public awareness of favourable political developments in SA, particularly the upcoming multiracial elections. He said the rally in gold shares had sparked off the interest.

However, a lack of liquidity in the SA equity market had seen US funds spill over into the bond market, where paper was available readily. While yields on gold shares were no longer as attractive as they had been earlier in the year, bond yields continued to offer good value.

He said Reserve Bank Governor Chris Stals had assured UK investors during a recent visit that the financial rand would not be scrapped in the short- to medium-term. He had also assured investors that tax on interest for foreigners would not be reintroduced.

Many US traders tended to route their investments in SA through London. However, for the moment, SA was seen as a short-term investment. Leahy said inquiries were from private investors, mutual funds and retail business.



A local dealer noted a similar pattern, adding that there had been interest from the Far East.

This was confirmed by a currency trader, who said finrand business from the Far East was greater than that from London.

The interest in SA is reflected by the number of London brokers regularly quoting the finrand.

At the beginning of the year, three brokers offered quotes with any regularity. There are now eight.

A major obstacle to US investment is state sanctions, particularly those applied by New York. However, analysts believe these could be among the first to be lifted.

# Move to marshal US investment

WASHINGTON — Mobilising investment in SA's post-apartheid reconstruction by US pension funds and university endowments is the goal of a conference to be held in the US capital next October, after the annual meetings of the IMF and World Bank.

A key aim, said organiser Herman Nickel, a former US ambassador to SA, was to "concentrate SA minds" on developing attractive investment instruments for US institutional investors.

SA corporations had been

**SIMON BARBER**

asked to help underwrite the conference, which would bring together leading players in the SA financial community.

These included the Community Growth Fund and the Independent Development Trust.

Representatives of the International Finance Corporation, the World Bank's private investment arm, were expected to attend. The initiative had strong support from the Clinton

administration, which was looking for ways to stimulate pension fund investment in SA once the ANC gave the go-ahead.

Although investing in post-apartheid SA might fit the social objectives of many of the big US funds, Nickel stressed that managers had a fiduciary obligation to concentrate on the bottom line.

Meg Vorhees, of the Washington-based Investor Responsibility Research Service, whose clients include university endowments and institutional investors, said she had seen little evidence that funds were "champing at the bit" to invest in SA. Many were still "wrestling" with their restrictions on SA-related investments — and were likely to continue to do so for some time after the ANC gave the all clear.

**F** PRESIDENT F W de Klerk and ANC president Nelson Mandela do not bring an election date and a transitional executive to lay before President Bill Clinton this week, they will be wasting a modest opportunity but the sky will not fall.

Mandela will still be able to raise money for the ANC's campaign coffers and De Klerk will still get to play golf with a couple of senators and take in a show at the Kennedy Centre. He looks as though he could use the rest.

There are better choices than Washington and Philadelphia for a holiday at this time of year, but blame ambassador Harry Schwarz for that. The Freedom Medal business was his brainchild, and it was he who nagged all concerned to make it happen. At least in Philadelphia, the South Africans will have something to remind them of home. Police there have just rounded up the leaders of a particularly vicious gang that calls itself Zulu Nation.

The truth is, even if the two leaders do have an agreement for Clinton, his response is not going to be earth-shaking. The new policy Clinton wants to unveil, once you get down to the fine print, will demonstrate chiefly that what politicians bill as bold and innovative departures are often little more than simulations thereof. With regard to SA, there is not very much the US government can do in the near term that has not already been done, or whose practical implementation must await the establishment of an elected government in SA.

**T**he administration's plan is essentially the same as that laid out in legislation drafted by senators Nancy Kassebaum and Paul Simon. What it amounts to is this: once Mandela gives the word, Washington will assist and reward SA's "transition to democracy" by ceasing, with the ANC's permission, to be deliberately unhelpful.

The principal reward will be the dropping of the Gramm Amendment. Washington's executive director on

# Cash will not flow into SA simply at Clinton's behest

By Bay 29/6/93

**SIMON BARBER in Washington**

62

the boards of the IMF and World Bank will no longer automatically have to oppose all loans and facilities for SA. Indeed, the proposed legislation would have the Treasury secretary actively encourage him to lobby for such lending.

Lovely, but this does not mean the floodgates will open the next day. Before any funds begin to flow — let alone the \$1bn mentioned by the bank's vice-president for Africa Edward Jaycox — a new government in SA will have to make hard choices about what it wants from the institutions and whether it is prepared to meet their terms. And IMF and World Bank finance offers no guarantee the recipient will prosper. Just look at the track record.

Neither is it worth getting too excited about what might emerge from the G-7 summit in Tokyo next week. Clinton will urge his partners to "mobilise" resources for SA's reconstruction. No doubt there will be mention of the subject in the summit communiqué, probably closer to the bottom than the top. This would not be the first time the G-7 has spoken of the need to help SA. Hitherto the practical results have not been obvious. Even now, as Assistant Secretary of State for Africa George

Moose has admitted, "specific mechanisms" to translate the communiqué's language into practical effect have yet to be discussed.

The removal of the Gramm Amendment is the most concrete card Clinton and Congress have to play. Virtually everything else they propose will be hortatory.

There will be two main exhortations. The first will be to local and state governments to stop penalising investment in SA. The idea of trying to pre-empt local sanctions by federal force *majeure* has been weighed and abandoned, although the Kassebaum-Simon Bill does imply that federal funding for local road construction could be denied to authorities who insist on retaining contracting rules that discriminate against bidders with SA investments.

**T**he second appeal will go to the US private sector: please go and invest. Nice words — and pragmatic, too. The federal budget has no fat left to finance official aid much above the current \$80m a year (thank goodness). But the US private sector can only help SA if SA helps itself. The US government cannot tell investors

where to put their money — although it is very good at doing the opposite — and its ability to influence investors' choices is at best marginal.

There are a number of steps the president and Congress will say they are taking to help, but most have long since been taken.

Do not be fooled if you hear Clinton pledging the active participation of entities like the Export-Import Bank, the Trade and Development Agency and the Overseas Private Investment Corporation. This is not especially new.

SA importers of US capital goods are already eligible for Exim loans and guarantees. The Trade and Development Agency recently announced that it would help Afrox finance the planning of a new penicillin plant in return for US firms getting engineering and supply contracts. The Overseas Private Investment Corporation has been anxious for some time to sign a bilateral agreement that would enable it to provide insurance cover for American investors.

Something Congress could do, but will not unless the ANC specifically gives it the go-ahead, is to stop requiring US companies in SA to register with the State Department and

submit detailed annual reports to prove that their employment practices and expenditures on social upliftment meet certain mandatory criteria.

This is the one aspect of the Comprehensive Anti-Apartheid Act Congress does not intend to repeal immediately, although Kassebaum and Simon have agreed to make elections the cut-off point rather than waiting for a new government to write its own "fair labour standards".

The retention of this policy vitiates the call for US companies to invest. The hassle factor places US firms at a competitive disadvantage in SA vis-à-vis other companies, domestic and foreign. It discourages the very kind of investment that SA most needs — the sort that creates jobs. At a deeper level, it tells US companies that involvement in SA, unlike anywhere else, is even now potentially wicked and must therefore be specially regulated.

It is up to South Africans to decide if they want this to continue. Just as they must decide whether, or when, they want to proceed with negotiations on a new tax treaty to replace that cancelled by the CAAA; whether they want to sign a bilateral investment agreement establishing the rights and responsibilities of US investors; and whether they want to describe themselves as a developing or developed country for trade purposes. The Kassebaum-Simon Bill makes SA eligible to benefit from the Generalised System of Preferences, which grants reduced tariffs to certain labour-intensive exports of developing nations.

This could help the SA textile industry, but only if congressional protectionists can be held at bay.

**T**he bottom line is that whatever Mandela and De Klerk bring with them to the US this week, the best "reward" SA can expect for moving to multiracial rule is the normalisation of its economic relations with the US and the rest of the world. There will be no special favours. Furthermore, as a practical matter, the normalisation will not occur until there has been an election.

# US publisher takes control of Penrose

MARCIA KLEIN

US publisher and financier Albert Alletzhauser yesterday took management control of printing and publishing group Penrose Holdings after a heated four-and-a-half-hour annual meeting.

Alletzhauser, who became chairman and CE at a board meeting held after the AGM, told shareholders he had recently acquired — but not yet paid for — Nasionale Pers's (Naspers) 29% stake at 35c a share, equaling an investment of about R2.2m. Yesterday the share rose 29.6% or 8c to 35c in two deals following the meeting.

Former SA ambassador to the UK Denis Worrall, a business associate of Alletzhauser, also joined the board. Despite the disposal of Naspers's interest, its directors would stay on the board. Alletzhauser's wife was among the new board members.

It was also disclosed that non-executive director George Joubert had acquired Sanlam's stake of about 14% in addition to his personal stake. (b2)

Penrose financial director Paul Delahunt announced his resignation, saying he would look after Penrose publication Who's Who in southern Africa, which he had acquired. The position of executive chairman Jackie Meckler was not clear. Alletzhauser and Meckler said this was being negotiated. (b2)

Criticism and accusations flew between the new board members and the old executive team, and minorities expressed concern that the conflict would be detrimental to the company. Minorities said they were also concerned that a 29% shareholder was seeking "to load the board and gain control at a minimal price".

The new shareholders asked for details of executive directors' remuneration and service contracts. Penrose directors refused to discuss individual salaries, saying there had been insufficient notice.

The issue of the sale of Who's Who, which

To Page 2

## Penrose

Bl Day 11/1/93

Penrose directors said was decided upon some time ago but concluded only on Tuesday, was discussed at length. (b2)

Shareholders were worried about morale, as this was the second major change in a short period of time. In 1991 a consortium of Naspers, Tollgate Holdings and Hoskens Consolidated acquired 43.6% of Penrose. After Tollgate's liquidation, Naspers held 29%. (b2)

From Page 1

Alletzhauser said there would soon be further announcements which would position Penrose as a major player. He wanted to procure new contracts from government for educational publishing, and he was looking into the liquidity of Penrose shares. Penrose had no debt, a sound balance sheet and a healthy order book, and Alletzhauser — a director of Bloomsbury Publishing — said the firm was significantly undervalued.

## US giant moves in

Star 3/7/93

ONE of the world's biggest real estate groups — the US-based Electronic Realty Associates (ERA) — has moved into the South African market on a franchise basis. (62)

This follows reports in last week's Saturday Star Property Guide that large American real estate groups were poised to enter the local market.

ERA, one of the big 10 franchise operations in the US, has a representative network of 300 offices worldwide, employing about 35 000 real estate agents.

Although its local operation was launched officially only this week, it already has 40 offices countrywide and aims to have 75 by December, having

### PROPERTY REPORTER

set a turnover target of R750 million.

The man behind what is seen as the first American real estate penetration of the South African property business is Stefan Swanepoel, managing director of local group Comprehensive Property Services (CPS), who first began negotiating with ERA three years ago.

Managing director of the local operation, with its head office in Pretoria, is Willie Marais, vice president of the Institute of Estate Agents and a member of the Estate Agents Board.



Star 5/7/93.  
**US firm opens for business**

Electronic Realty Associates (ERA), a US-based company, has opened offices in SA. (62)  
It has more than 40 of-

fices in major centres.

It comprises a select number of independently owned and managed real estate companies.

# US diplomat sets up SA trade consultancy

By Graham Linscott  
Star Africa Service

(62)

A retired United States diplomat is to settle in South Africa and set up a consultancy for developing trade with the rest of Africa as well as offering services in America.

George Trail retired last month as deputy chief of mission at the US embassy in Lagos, Nigeria, after 35 years as a diplomat, 25 of them spent in Africa.

He is to become managing director of Sussens Mann Trail, an associate company of the Sussens Mann media consultancy group.

Trail's other postings in Africa included a stint in Lilongwe, Malawi, as an ambassador; Nairobi; Johannesburg; Kaduna in Nigeria; and Freetown in Sierra Leone.

He has also held diplomatic



George Trail . . . SA could capitalise on great opportunities.

postings in Thailand and Germany.

Trail said the prospects for business with Africa were growing.

"I am convinced that we will see South Africa emerge as the economic powerhouse of the continent."

GY

# PC competitor 'set to invest'

US PC manufacturer Advanced Logic Research (ALR) is set to announce its entry into the SA market.

The move, expected to be announced on Monday, would make ALR one of the larger US computer companies to invest in SA.

A source ALR planned to make a "significant investment", unlike some US companies whose investments centred on hiring staff and renting premises, and on sales and marketing.

"ALR is one of the top 10 US PC manufacturers, with products ranging from notebook PCs to Pentium-based file servers and multiprocessor systems," he said.

Sage Computing has represented ALR for about 18 months and it is believed that part of Sage will be renamed and transformed into the ALR local subsidiary.

An industry source said price-wise, ALR systems were positioned ag-

gressively against rivals such as Compaq and IBM.

One competitor said ALR had limited success in some large institutions. He said ALR recently lost ground to companies like Compaq, which opened their doors in SA last year.

Commenting on ALR's entry, Hi-Performance Systems' PC and peripherals GM Mike Wallas said: "The SA market has good representation from PC manufacturers from around the world, and it's difficult to evaluate what value they will add to the market."

"They could address certain focused markets but there isn't room for another general purpose vendor, because the PC market is highly overtraded."

More than 100 distributors compete for SA's R3bn a year PC market, which probably comprises around 180 000 units a year. There are about 2 500 dealers and margins are

squeezed, as they compete to sell about seven PCs each a month.

Internationally, ALR is following a strategy called "private labelling", which allows third parties to label ALR equipment with their own brand name.

The company's "channel build" strategy is understood to be concentrating on selling more of its Smart-Line low-end machines through value-added resellers and original equipment manufacturers.

ALR recently won Byte Magazine's "Best of Comdex" award for its new desktop and file-server Pentium processor systems. It is bundling Windows NT's graphical operating system on its Intel 486DX and Pentium-based PCs.

In May the company announced a loss for its second quarter. It said price competition had reduced turnover. Gross margins for the last six months were 14% compared to 22% in the same period a year ago.

## IBM cuts deeper

*Guardian/Win Win*  
THE ailing computer giant IBM is expected to slash its workforce by up to 50,000 people this year, double previously announced figures, at a cost of \$2 billion. ~~33~~

IBM officials said that the company might announce details of the new charge with its second-quarter results on July 27, when Wall Street analysts also expect IBM to cut its dividend again. ~~62~~

Worse is yet to come because the IBM chairman, Louis Gerstner, who took over in April, has yet to unveil his own retrenchment plans.

The job cuts that emerged last week were part of the cost-cutting programme launched last year, so the deluge of job losses can be expected to continue under the former head of RJR Nabisco. A spokesman refused to go beyond the company's stated position of "more than 25,000" job losses in 1993.

917-1577193.

# Damper on IMF loan euphoria

w/mant 9/7-15/7/93 (62) (2/11)

By REG RUMNEY

THE euphoria over State President FW de Klerk's announcement that South Africa might get access to an International Monetary Fund (IMF) facility is overdone.

True, an IMF stamp of approval is a signal to foreign investors that the country is okay for investment.

It will not, says Nedcor chief economist Edward Osborn, automatically mean Reserve Bank governor Chris Stals will turn his monetary policy around and cut interest rates again this year.

The \$850-million facility enables the Reserve Bank to borrow up to this amount in times of crisis on the balance of payments (BoP).

If Stals precipitates a BoP crisis by cutting interest rates, the IMF could accuse him of engineering a situation where the loan comes into effect.

Descriptions of the facility as being for drought relief are also misleading.

If South Africa has need of the facility, it will be reflected in the accounts of the Reserve Bank as a claim on balances in New York. It will not be loaned or paid to farmers.

So it will immediately be on the books of the Reserve Bank, strengthening the foreign reserves. But it is not a developmental loan.

The importance of having such a facility, says Osborn, is that it gives foreign investors a sense that there is the safety net in South Africa of access to IMF money.

It is not clear the loan will be drawn down in September. "It may be necessary to draw it down, depending on how badly the balance of payments is affected."

It would be better to announce the facility but not actually to use it, Osborn considers. If it is granted and South Africa does have to avail itself of the money, it must be remembered that the loan has to be paid back from the exchequer account in rands.

Depending on further devaluations of the rand against the dollar and the interest rate attached to such a loan, perhaps eight percent, this could mean, say, R250-million a year coming from the exchequer account for some years to come.

# US investors take on a no-risk policy with SA

CIPress 11/17/93

(62) (288)

By JOAO SANTA RITA

**C**ORPORATE America has given a clear message to ANC leader Nelson Mandela: Don't expect a rush of investments in the new SA.

Business analysts say in the short term some US companies might return to SA (some already have), but they would concentrate on selling and servicing their products rather than investing in productive infrastructure.

While organisations such as the World Bank and the International Monetary Fund will come forward with millions of dollars to help a democratic government, top US executives and analysts are now coming out in public to say what many already know: private capital is looking at SA and is having second thoughts about the country.

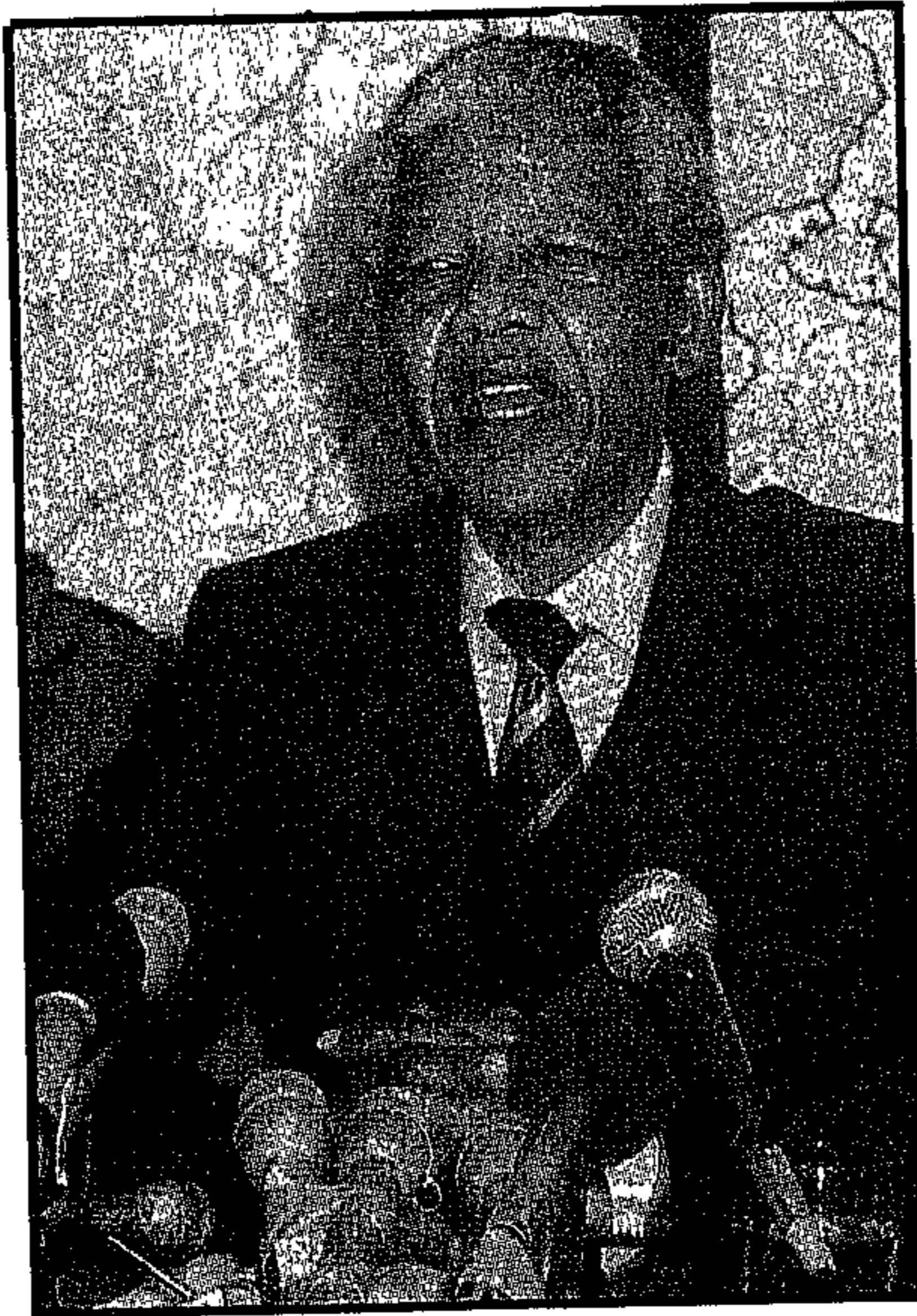
Mandela continues to have enormous prestige in the US and his American tour has shown that he is still capable of pulling crowds and raising money for his organisation.

But while many well-known American business personalities are ready to come out in support of fundraising for the ANC, they are much more cautious about investing their money in SA.

The *New York Times* this week warned in a business section headline that American companies are "awaiting more than Mandela".

"Executives of pension funds and endowments expressed excitement about the prospects of investing again in companies that do business in SA but it could take months if not years to gain approval to put their money back in the troubled nation," it said.

This week's violence brought the bloody images of unrest back to US television screens with commentators now under-



**CROWD PULLER... ANC president Nelson Mandela continues to draw large crowds in the US.**

lining the "black-on-black" and "tribal" aspects of the violence.

US officials and commentators have begun expressing doubts that free and fair elections will be possible because of the growing feud between Inkatha and ANC supporters.

Statements by the ANC's chief economist, Tito Mboweni, that an ANC government has plans for a special tax to finance "development, repatriation and compensation" were given prominence by some American newspapers - compounding suspicions that still linger on about the ANC's economic policies.

One newspaper said many business executives were still suspicious about the fact that the ANC had been very late in "kicking the Marxist habit".

Reports of a power struggle between Cyril Ramaphosa and Thabo Mbeki for control of the ANC in the post-Man-

dela era have also been reported.

Some business executives are saying that the business community will have to wait "a couple of years" to see if the turmoil in SA abates.

Ironically, while up to now it has been to the ANC's advantage that apartheid is part of America's own racial politics, this could soon become a burden.

Lobbyists and organisations which have strived in the struggle against apartheid now want to impose their own moral codes on the post-apartheid SA.

Many potential investors are openly saying that they do not want to face criticism from local organisations and will therefore turn their attention to less controversial places.

They pointed out that while the ANC has said it will agree with the lifting of sanctions once a transitional executive council is in place, many local anti-

apartheid legislators and organisations are saying that investments should only go to SA AFTER the elections.

Hundred of local legislatures and city councils have sanctions against SA and it may take months to reverse them.

Companies are unlikely to violate those laws and ordinances even if the ANC gives the green light for investments.

US diplomats pointed out that Namibia had to fight huge bureaucratic battles with some US local authorities which had prohibited trade with the territory before the country's independence.

The laws remained in the books for months after Namibia's independence, forcing companies to cancel potential investment opportunities in Namibia.

William Moses, a senior analyst with the Investor Responsibility Research Centre, based in Washington, said a lot of investors had told him they did not want to be criticised for acting too quickly or prematurely.

"They don't want to be the first ones to take action."

"They want to be second in going back to SA so they can assess the situation and maintain their integrity," he told the *New York Times*.

The newspaper said many universities which disinvested from companies with links with SA are now saying they want to see "tangible changes" before reversing their policies.

Jarrod Wilcox, director for international investments for a financial management company, said there were considerable risks for potential investors in SA.

He predicts economic and political turmoil after the elections.

"Those who act quickly could be hurt because of the turmoil and disruptions that will follow," he said.

# New York to urge reinvestment in SA

62

□ 'Sanctions could undermine health of new SA'

ARG 14/7/93

**RAMSAY MILNE**  
The Argus Foreign Service

NEW YORK. — Though still waiting for a formal signal from Mr Nelson Mandela, New York State is to take immediate steps to lift investment restrictions against South Africa.

The state's controller Mr H Carl McCall said that, based on a conversation he had with Mr Mandela during the ANC president's recent visit to the United States, he would immediately withdraw any shareholder resolutions that call for restrictions on investment in South Africa.

He said that he would, in fact, encourage those companies in which the state holds stock to seek investment in South Africa.

Though these steps would be taken in advance of any ANC call to lift sanctions, Mr McCall said he would formally advocate a full investment policy in South Africa only when the ANC urged an end to sanctions.

"I am convinced and assured that the time has come to consider a reinvestment programme in South Africa," said Mr McCall.

He added that Mr Mandela had told him last week that he expected the ANC to call for the lifting of all economic sanctions against South Africa within three weeks.

Stating that the disinvestment campaign against South Africa had been "highly successful and effective", Mr McCall added: "However, to continue such a policy would

be counter-productive because it would undermine the economic health of post-apartheid South Africa."

Mr McCall, who is the first black to hold a major state post in New York, said that Mr Mandela's description of the economic conditions faced by black South Africans, who have a 48 percent unemployment rate, had convinced him to take the step.

New York's \$56 billion (about R168 billion) state pension fund holds stock in 495 of the 500-largest publicly traded companies in the US.

Under pressure from anti-apartheid activists the state had reduced its stock to 42 companies with investments in South Africa, down from 167 when the disinvestment policy started in 1985.

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## PC firm aims to double market share

ADVANCED Logic Research (ALR), one of the US's top 15 PC manufacturers, this week opened ALR SA via a business partnership agreement with Sage Computing which has distributed ALR products for the past 18 months. *Biscay*

Sage will continue its bureau and training operations, with ALR SA operating as a separate entity jointly owned by ALR and Sage. Once the ALR warehouse is full, ALR vice-president of sales Gregory Hauw says there will be about R5m worth of stock in it, enough for about six weeks' supply.

ALR hopes to double its current 1.5% market share within the next year. About 160 000 PCs are sold annually in SA. Hauw says that while activities will be focused on SA initially, the office will be used as a springboard into sub-Saharan Africa.

Meanwhile, in a show of confidence in SA, US-based Hypercom has also opened a representative office in Johannesburg to assist its distributors in Africa and the

MELANIE SERGEANT

Middle East. *15/7/93*

Hypercom is a point of sale and network supplier which designs, manufactures and markets data communication equipment for application within the broad field of electronic payment systems.

Hypercom Africa senior manager Stephen Beatson says his company cut its teeth in the '80s in the Asia/Pacific region where it now enjoys 85% market share. It has also been awarded major contracts in the US. *(b2)*

Director Brian Pascoe says SA will undoubtedly represent one of the fastest growing electronic banking markets this decade. "We have full confidence in the country's future and its economic development. We want to be part of it."

Hypercom's local distributor is Quadrant Office Systems, operating out of Hypercom Africa's new Sandton premises.



## Apple Computer all set to return

MELANIE SERGEANT

APPLE Computer would return to SA as soon as sanctions were lifted, senior director for Italy Sergio Nanni said from Milan yesterday. *8/10/93*

Although an industry source said top Apple executives were due in SA next month to pave the way for an October/November return, Nanni denied that a firm entry date had been set. *15/1/93*

Within a matter of weeks of sanctions being lifted, his company — which had been making intensive preparations in anticipation — would return to the SA market. Sanctions, he said, would probably be lifted by late August or September. *(b2)*

He said Apple had been making intensive preparations over "the past few months in anticipation of our return".

He could not say whether Apple would have a full subsidiary in SA, but acknowledged that there could be more than one distributor of products and services.

"When we come back we will do everything we can to offer assistance and service to Apple users. It was not our fault that we abided by sanctions and left SA when we did. We did not impose sanctions and we should not be blamed," he said.

He refused to confirm or deny that Apple was discussing deals with companies in SA which sell Apple products, including the Strider Group or MBM. Siltek was understood to be keen to distribute Apple machines, but a Siltek source said this would now depend on Apple's stance regarding multi- or single-distributors.

In another development, it is understood that US-based Silicon Graphics representatives are also visiting SA, with a view to setting up a local operation soon.

● See Page 8

# US car firm's model return

SI Times [Bus] 18/1/93

(62)

CHRYSLER Corporation, the No 3 US car-maker, confirms that it is considering building its famous four-wheel-drive Jeep Cherokee in South Africa. The Cherokee would be sold in SA and the rest of Africa.

Chrysler is holding discussions with two SA companies about the possibility of a joint venture, says spokesman Antonio Cervone. He will not name the companies.

If the project takes off, it could represent one of the first significant US capital investments in SA since the onset of sanctions.

A source familiar with the planning says: "The way it's being contemplated, it could be a model for other US manufacturers.

"It will be a significant involvement."

The Cherokee, a tough but cheaper equivalent of the Range Rover and Toyota Land Cruiser, is suited to African conditions and could become an important SA export.

A sizeable number of jobs would be created, both at the production facility and potentially in the component industry.

By producing for Africa, not only

**By SIMON BARBER: Washington**

would Chrysler itself penetrate an untapped Jeep market, but the other US car companies, General Motors and Ford, might well be inspired to return to compete with their own four-wheel-drives.

Chrysler, which acquired the Jeep line when it took over ailing American Motors, severed its remaining links with SA in 1983 when it sold its 24.9% stake in Sigma Motor Corporation to Anglo American.

Chrysler South Africa, a wholly owned subsidiary of the Detroit firm launched in 1959, merged with Anglo-owned Illings in 1976 to form Sigma.

Chrysler remains jittery about discussing the project in public.

Mr Cervone says: "There are a myriad state and local ordinances around the US that prohibit doing business in South Africa."

He stresses that the investment is still at the "feasibility study" phase and warns against raising "premature expectations".

No decisions have been taken. It could be "several years" before production starts — if the project gets the go-ahead.

The Clinton Administration is en-

couraging such investments when companies approach it for guidance. There have been hints it hoped to give the Chrysler project as an example had Nelson Mandela been able to call off sanctions during his visit to America.

Although not referring specifically to the project, Pete Chaveas, director of the State Department office of Southern African Affairs, told a Washington business group this week that a few "key" deals were in the offing.

He predicted they would be big enough to help restore business confidence in SA and to have a potent "demonstration effect" for other foreign investors.

Chrysler already has a small operation in Egypt where up to 3 000 Cherokees are assembled annually from US-built kits for the Middle East market.

The envisaged SA operation is likely to be on a larger scale, with many components produced there, say sources. The choice of building a plant or retooling an existing one is being weighed.

The company has made Jeeps in Beijing since 1984 and has increased local content to a 50-50 ratio.

The SA operation would make right-hand-drive vehicles, which Chrysler builds in Toledo, Ohio, for the Japanese, Australian and British markets.

# Merchants have big role to play in SA industry

B. Day 19/7/93  
(b2)

PAPER merchants play a larger role in SA than their equivalents in Europe and the US, says Graphtec Holdings CE Derek Smith.

Smith says that in SA, almost all of the tonnage used in the printing industry and converting industry, in the area of fine papers, is supplied through paper merchants.

In other countries, a greater percentage is sent directly from the paper mills to the converter.

In the space of 20 years, the number of paper merchants in SA has been reduced from 14 to seven, and more have become distributors to local mills rather than general merchants.

The seven major paper merchants are owned by the conglomerates. Three are housed in the Holdains group via Graphtec, and are niched in the upmarket categories.

## Broad

Smith says Graphtec decided in the sanctions period that it would offer a broad range of products, and a number of countries continued to trade with it.

The lifting of sanctions has meant many trends that have been in place for years in Europe and the US can be followed locally. This is particularly in terms of management style and different fashions in the media, which have had a significant effect on paper merchants.

In SA, people will be looking to paper merchants to bring products and innovations from overseas, Smith says.



DEREK SMITH

Graphtec decided some time ago that it had to create differences between the merchants in its stable.

First Paper House was the largest company within the group, operating nationally and in some neighbouring countries. It was a traditionally based merchant, with a large product range and an emphasis on top quality paper.

Graphtec has made some innovative changes in Haddons, which was previously in First Paper House's position, but is rapidly being converted into a slim, regionalised operation.

In line with political changes in SA, it is taking responsibility away from Johannesburg to the regions, which will have less reliance on the control operation. Haddons will remain a highly flexible, slim operation, with substantial input from employees.

In the smaller centres, it

has formed new companies by putting the old companies together under local direction. Smith says that they will be able to have a bigger range of services and products.

While Graphtec's major clients include newspaper and printing and publishing groups, designers also form an important part of its clientele, particularly for imported papers.

Although the major paper mills make a wide range of "bread and butter" papers, they do not manufacture all types of papers locally, as the economies of scale do not warrant it. Paper merchants are able to fill this niche by importing.

Graphtec has found another niche in the production and distribution of pre-press material, such as printing plates, reprographic film, new electronic equipment and printing machines.

## Important

Commenting on the production of environment friendly paper, Smith says that although it is becoming increasingly important in SA, it is a much bigger issue in the US and UK, where it is consumer driven.

In SA, it is not consumer driven, so it is bound to start with the paper mills. At the moment, environment friendly paper is more expensive to make, but this will come down over time.

Haddons and Sappi have already launched the first local 100% recycled paper, which is the same price as ordinary paper.

# Merchants have big role to play in SA industry

B. Day 19/7/93  
(62)

PAPER merchants play a larger role in SA than their equivalents in Europe and the US, says Graphtec Holdings CE Derek Smith.

Smith says that in SA, almost all of the tonnage used in the printing industry and converting industry, in the area of fine papers, is supplied through paper merchants.

In other countries, a greater percentage is sent directly from the paper mills to the converter.

In the space of 20 years, the number of paper merchants in SA has been reduced from 14 to seven, and more have become distributors to local mills rather than general merchants.

The seven major paper merchants are owned by the conglomerates. Three are housed in the Holdains group via Graphtec, and are niched in the upmarket categories.

## Broad

Smith says Graphtec decided in the sanctions period that it would offer a broad range of products, and a number of countries continued to trade with it.

The lifting of sanctions has meant many trends that have been in place for years in Europe and the US can be followed locally. This is particularly in terms of management style and different fashions in the media, which have had a significant effect on paper merchants.

In SA, people will be looking to paper merchants to bring products and innovations from overseas, Smith says.



DEREK SMITH

Graphtec decided some time ago that it had to create differences between the merchants in its stable.

First Paper House was the largest company within the group, operating nationally and in some neighbouring countries. It was a traditionally based merchant, with a large product range and an emphasis on top quality paper.

Graphtec has made some innovative changes in Haddons, which was previously in First Paper House's position, but is rapidly being converted into a slim, regionalised operation.

In line with political changes in SA, it is taking responsibility away from Johannesburg to the regions, which will have less reliance on the control operation. Haddons will remain a highly flexible, slim operation, with substantial input from employees.

In the smaller centres, it

has formed new companies by putting the old companies together under local direction. Smith says that they will be able to have a bigger range of services and products.

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5 Times (Buss)

# Coke in a fizz Overrival cola

By CHERILYN IRETON

Makro says market research refutes Coke's claim that consumers could confuse American Cola with Coke.

Makro is not a member of ASA and "has never accepted its jurisdiction".

Mr Lamberti says: "We took part in the proceedings out of a sense of fair mindedness and co-operation. Our legal advice casts some doubt on the validity of the powers of the ASA."

Makro launched its house-brand cola last November. This month it added a 2-litre version of the cola and diet cola to its range.

The cola is produced in Malvern, Johannesburg, under licence from Cott Beverages of Toronto. The cola concentrate is imported from the US.

It is cheaper than Coke. A case of 24 American cola cans sells for R21,95 at Makro, a discount of 21,5% against Coke's R27,95. Six 2l bottles of American Cola sell for R23,69, the Coke equivalent for R32,24.

Mr Lamberti estimates that Coke has 99% of the R4-billion-a-year carbonated beverage market. If American Cola sales go well, he believes they could total R18-million this year, under 0,5% of the market.

"Being part of the Wooltru group, which owns some well-known brand names like Woolworths, we respect the value of brands."

Mr Lamberti believes the broader issue — "whereby Makro is offering small businessmen the opportunity of making a reasonable margin out of an appealing product line" — should be considered.

When Makro introduced the cola at its Highveld store in Verwoerdburg, a Coke truck parked outside, selling at prices "well below anything we've ever heard of".

COCA-COLA is at war with Makro and its alleged clone American Cola.

Makro has been ordered to change the packaging of the 340ml cans of American Cola and American Diet Cola.

The ruling comes from the Advertising Standards Authority (ASA). It upheld Coke's complaint that American Cola was trading on the its goodwill and that consumers were likely to confuse the packages of the new Makro products and those of Coke and Diet Coke.

Makro will appeal against the ruling and fight the issue in court if necessary, says Massmart managing director Mark Lamberti. He accuses Coke and the ASA of "bully-boy tactics designed to get us to kowtow on tenuous procedures and legalese".

Massmart, which owns Makro, is a subsidiary of the Wooltru group.

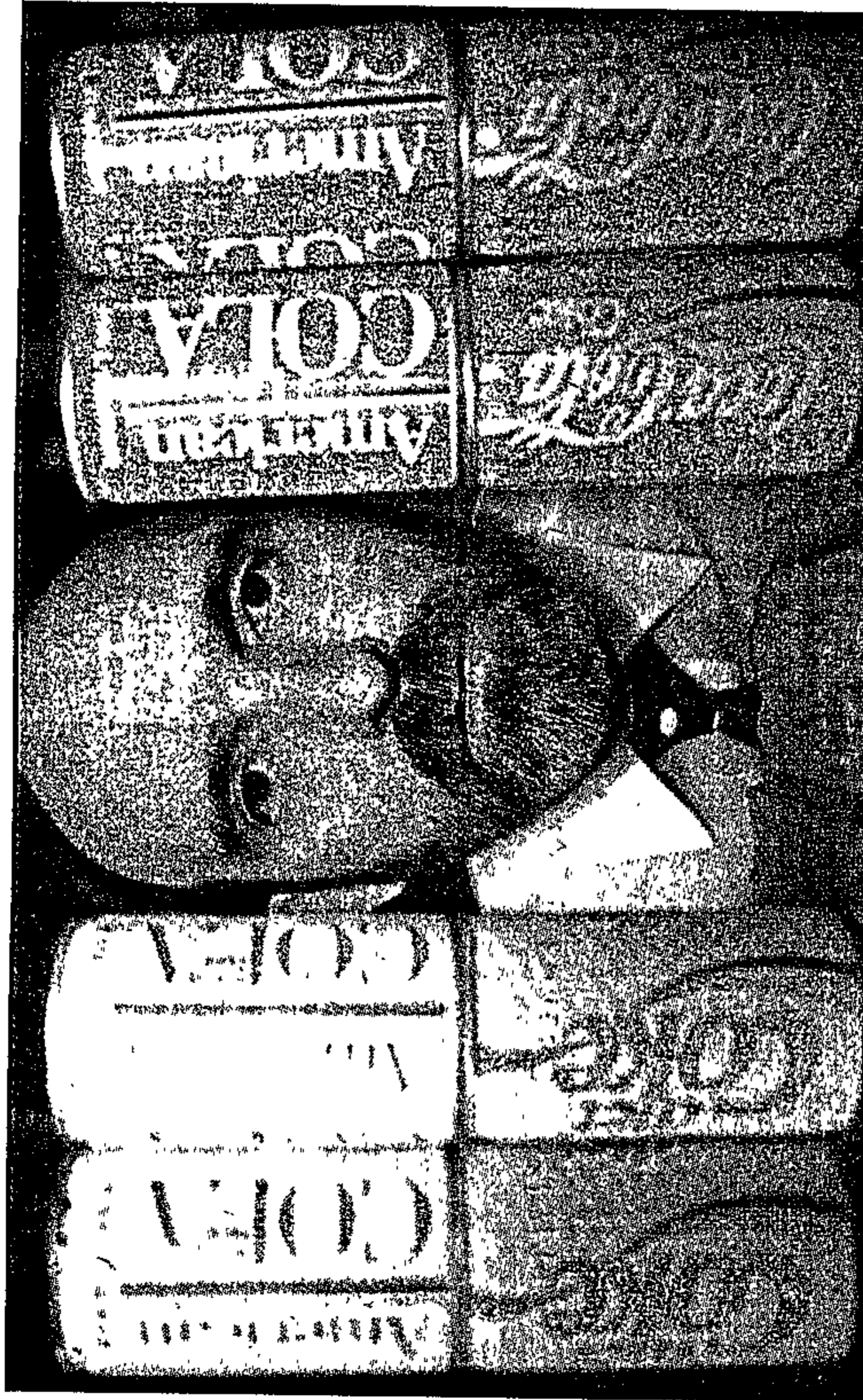
ASA executive director Deline Beukes says the committee ruled on the general make-up of the 340ml cans.

"The ASA committee, consisting of leading members of the communications industry, ruled that the unacceptable packaging should not be distributed after October 12, 1993. The revised packaging of the two Makro colas should also be submitted to the ASA."

Earlier this year the ASA ordered Makro to remove the claim of "original taste" from the cans. Makro appealed against the ruling, but lost.

Mr Lamberti says: "We believe the designers have clearly differentiated American Cola from Coke. Coke has virtually admitted that there is no legal basis for passing off. We are confident of winning in court."

John Beckley, marketing director of National Beverages which produces Coke in SA, will not comment.



NOT THE REAL THING ... Mark Lamberti, who accuses Coke of "bully-boy tactics"



**A**T FIRST blush Apple Computer's stance on returning to SA is curious. The company has clearly wanted back in for some time. Jackie Robinson, the Apple executive charged with preparing for re-entry, has publicly voiced frustration that Apple's rivals — most recently Digital Equipment Corp — have been stealing a march, yet have gone largely unpenalised by state and local sanctioners. This raises the question: why is the company still waiting until the ANC formally calls off the boycotters?

Robinson's answer is that Apple prides itself on its social consciousness and wants to do things properly. That's probably true. But nobody's saying Digital is acting irresponsibly. Indeed, Tim Smith, executive director of the Interfaith Centre on Corporate Responsibility, a church-based coalition that has been in the vanguard of the sanctions movement, stopped not far short of lauding Digital and others for going back in a letter to the New York Times last week.

**T**he obvious inference is that Digital and the rest have been willing to do something Apple still finds distasteful. And what might that be? Well, it is now a matter of public record that Digital, in addition to pledging scholarships and training for black South Africans, has agreed to form a partnership with newly created Bhekisizwe Computer Systems, whose principal shareholder is the ANC-aligned Thebe Investment Corp.

As Peter Chaveas, director of the State Department office of southern African affairs, explained to a Washington business group on Thursday: "Digital has returned in close collaboration with the ANC which helped them with some of their political problems." In other words, the company had acquired — for a consideration — the functional equivalent of a papal indulgence exempting it from the wrath of people like Smith.

This puts the ANC's continued reluctance to call off sanctions in an interesting light. It suggests that at

# Will the masses benefit from Thebe investment schemes?

BIDAY 2017198

**SIMON BARBER in Washington**

least some in the movement see the policy less as a "weapon" to force concessions from the government — as ANC president Nelson Mandela described it in Philadelphia earlier this month — than as a means to win concessions of a different kind from foreign investors. In which case, one begins to wonder whether the policy, in one form or other, will ever be terminated, even when the ANC is formally in power.

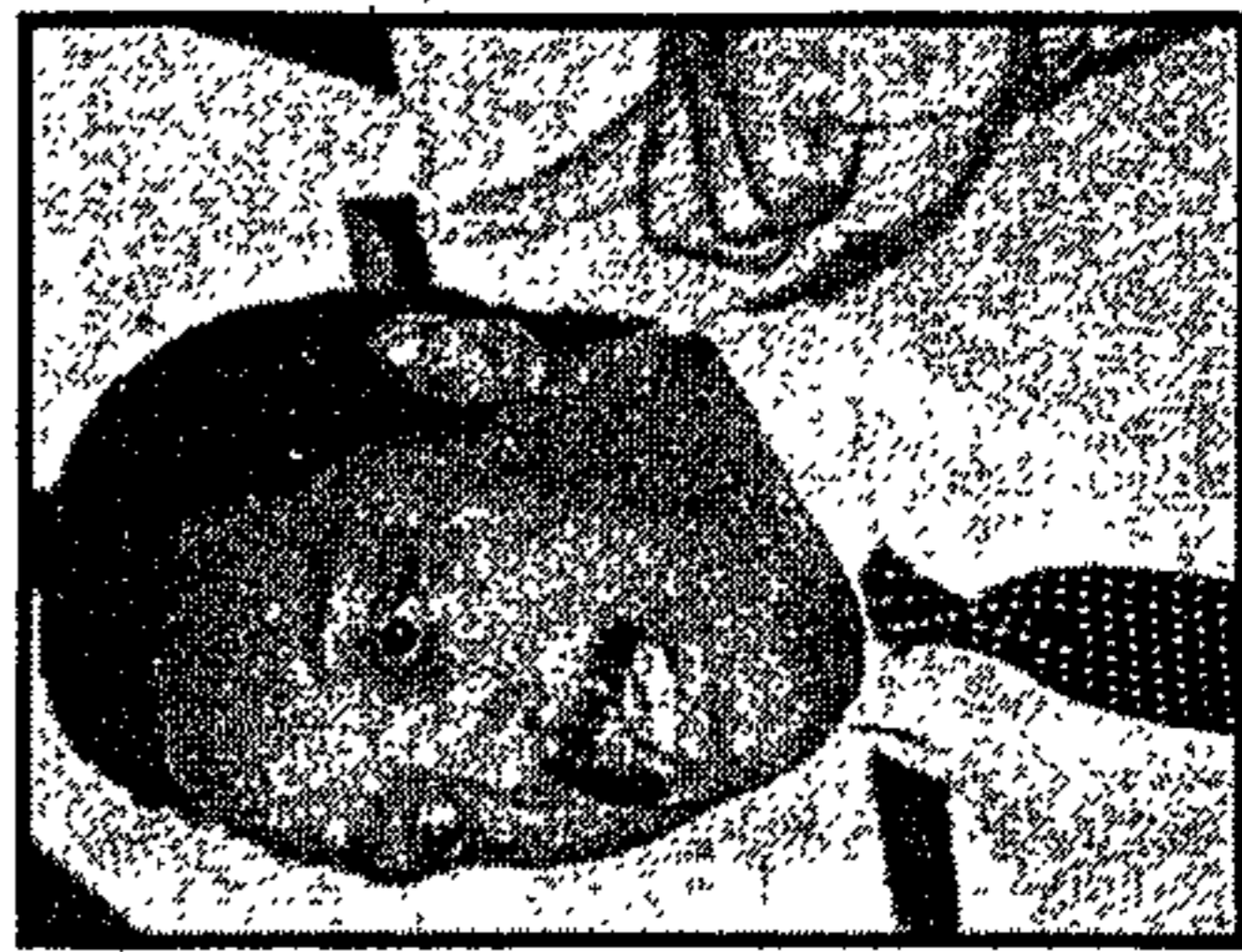
In an interview with the Washington Post, Eugene Nyati, an economist who heads the Centre for African Studies in Johannesburg, recently described Thebe's activities thus: "Basically, you have a company that is saying if you want to be kosher with the incoming government, come into partnership with us." He added: "It's easy to see how that opens up a window for structural corruption."

Easy indeed, but how troubling? One way to answer that question is to ask how many US firms that might have invested may be turned away by the need to grease the wheels. At this stage, probably not very many. Apple will no doubt do the necessary before long. "Large multinationals do business in a lot of hair-raising places," explains Dan O'Flaherty, director of the Washington-based National Foreign Trade Council.

In other words, they are grown-ups and have long factored into their calculations the special "philanthropic" costs of doing business in

countries like the new SA. And if the price gets too high, they can always refer their hosts to the Foreign Corrupt Practices Act which makes it illegal for US companies to bribe foreign officials: sorry, chaps, but our law forbids us from being as generous as you, and we, might like. More worrying is the effect of such deal-making on South Africans and the kind of culture it fosters.

No one disputes the need for the previously disenfranchised to get a substantial equity stake in their country as soon as possible. But



□ JACKSON

problems arise when a small elite uses its power and leverage to hog the newly available stake for itself, and when access to the stake starts to be seen too exclusively as an entitlement to redress past injustice, without attached responsibilities.

If restrictions on investment remain in place and are exploited in such a way as to enrich a small ring of politically well-connected entrepreneurs, the ANC will have to face charges that it deliberately stood in the way of desperately needed economic growth for personal gain. The obligation to grant favours to selected individuals and entities may not, as noted, be an immediate disincentive to investors, but the barriers to entry that create that obligation most assuredly are.

For every fortunate insider who benefits from the mandatory joint ventures, training opportunities or scholarships, there will be thousands kept in poverty and unemployment by policies designed to advance the chosen few. In that respect the new SA will look very much like the old.

At the same time, little is as corrosive, socially or economically, as the ethos of entitlement. SA will have scant chance of success if its new elites operate on the principle that, as victims, they are owed. Here, the American experience is instructive. For years, prominent leaders like the Rev Jesse Jackson have used charges of racism and discrimination backed by boycott threats to

squeeze concessions — racial hiring quotas, money, franchises and other special dispensations — out of US corporations.

The deal recently cut between the Denny's restaurant chain and the Rev Benjamin Chavis, director of the National Association for the Advancement of Coloured People, is a typical transaction. In return for the NAACP absolving it of racist practices (the accusation was not without merit), Denny's agreed to grant franchises to black businessmen on generous terms and to appoint more black managers.

The fact that Denny's had its coming is beside the point. The message broadcast by this, and so many other such pacts, (and reinforced by policies like affirmative action and contract set-asides) is that blacks cannot succeed unless they receive the preferential treatment that is their due as a historically oppressed minority.

This notion, internalised by both whites and blacks, is deeply destructive, not to mention self-perpetuating. Whites get it into their heads that blacks will never prosper without them; blacks come to view failure as their historically determined lot and that, without some kind of magical redemption that somehow never comes, their own efforts to break out of the cycle of dependency are doomed.

**N**ow this, it sometimes seems, suits leaders like Jackson and Chavis just fine. If their constituents were to succeed, they would be out of work. The "struggle" that empowers them would be over. Furthermore, they would lose their claim on the larger society and the ability that flows from that claim to win privileges for the elite of which they are a part.

Will the truly disadvantaged benefit from the Denny's deal? They seldom have from such arrangements in the past — single teenage mothers and high school dropouts do not get jobs, let alone franchises, under even the most affirmative of affirmative action schemes — and they are unlikely to be any luckier this time.

The masses are the fodder their leaders and their cronies use to enrich themselves.

If there is an echo here of what the ANC and Thebe are up to, pray that it is a false one.

# US firms cool on stake in SA

CLAIRE GEBHARDT

JOHANNESBURG. — If sanctions are lifted next month — as Nelson Mandela suggested at the weekend — which foreign firms would invest in South Africa?

Conventional wisdom says very few, but the ANC is bullish.

The ANC's optimism following Mr Mandela's recent fund-raising trip to the US is infectious, but the reality is that the instruments for foreign investment are sadly lacking — no matter how willing the participants, observers said yesterday.

"Though there is widespread talk of direct investment by Americans after elections on April 27 — among them Apple, Pepsi, Heinz and Sara-Lee after major deals were put on hold last year — few have done so, apart from computer companies Digital Equipment Corp and Lotus."

Other companies said to be high on a list of possibles include Fortune 500 company Proctor & Gamble and hamburger giant McDonald's, whose presence is always a positive rubber stamp.

A McDonald's spokesman, approached yesterday, said there were no plans to open in South Africa "at the moment", though that didn't rule out a future entry.

Yet several multi-nationals, who disinvested in 1987 after negotiating "buy-back clauses" which lapse after five years, are said to be anxious to return.

Tuesday's ANC workshop on Foreign Portfolio Investment gave some indication of the urgency behind the drive to attract investment.

Some 300 business people, the cream of South Africa's financial crop, were invited by Trevor Manuel, the ANC's head of economic planning, to concentrate their minds on new financial instruments for development.

A series of investment conferences in September/October this year to coincide with the 48th Annual Meeting of the IMF is being targeted to sell South Africa overseas.

Sources for new foreign funding include US pension and endowment funds, many of which were in the forefront of the disinvestment drive.

Sceptical businessmen suggested that the delay in the lifting of sanctions was a face-saving attempt by the ANC, which had belatedly realised that no investment was in the offing.

Said one American: "By January US companies will be allocating their asset portfolios and un-

less there is concensus amongst the ANC, the trade union movement and the churches about the lifting of sanctions, money is just not going to come into South Africa. No US company wants problems with its workers.

"We also question where \$4 trillion of pensions fund money can go, apart from the JSE and bonds. A lot of money is going that route because of the high returns, but it's going to do nothing for the country.

"If unbundling takes off, US companies could be prepared to do buy-outs for blacks, though only on a commercial basis with dividend paybacks over, perhaps, 15 years.

"On the positive side, most companies are looking to grow markets in developing countries and South Africa is a stepping-stone for the rest of Africa. If there's no money, we could barter."

(62) ARG 22/1/88  
American Chamber of Commerce's Michelle Cohen says US companies are holding back because they're afraid they will come in at the politically incorrect time. They'll then face flak from their shareholders and pension funds.

SI Times [Buss] 25/1/93

# US quitters returning in force

By ZILLA EFRAT

THE number of United States companies with non-equity links in South Africa has jumped from 184 to 405 in the past two years, says the Washington-based Investor Responsibility Research Centre (IRRC).

Sources say Peterbilt, one of the biggest US truck-makers, has signed a joint-venture agreement with an SA firm. Said to be signing a similar contract is Gaylord Inc, America's largest kitchen-exhaust system manufacturer.

The IRRC says 27 US companies have opened offices, established subsidiaries or placed employees in SA.

Five have returned after quitting in the mid-1980s and 10 are in the

computer business.

Advanced Logic Research, one of America's top 10 computer manufacturers, and electronic payment systems group Hypercom have opened offices in SA. (45)

Bicontinental Corp — involved in international trade, engineering, construction and the oil and gas industries — will open one this month.

Sources say executives from Pepsi are in SA and that Proctor & Gamble, its products already on SA's shelves, is conducting due diligence exercises.

Global Marketing, a fertiliser maker, and Herrington Corporation, which owns the excess inventory of 300 US companies, are believed to be scouting SA markets.

Eaton, one of the world's largest truck gearbox and axle manufacturers, is giving SA's Drivetrain technical and marketing assistance.

The American Chamber of Commerce's Michelle Cohen and Goldman, Judin & Werner partner Michael Judin, an adviser to US firms, reports greater American interest in SA. (62)

Miss Cohen says most companies come to her when they are close to agreement. These visits have risen.



# ANC accused of hypocrisy

Sowetan 4/8/93

By Tom Cohen

Sapa-AP

## ■ SURPRISING DEAL *Sanctions for*

*some but not for others:*

62

**W**HILE AFRICAN NATIONAL Congress leader Nelson Mandela was in the United States last month insisting that sanctions must remain, a United States computer company was setting up shop here with the ANC's blessing.

Digital Equipment Corp, the world's third largest computer firm, opened a South African subsidiary last month in a deal with a black investment company linked to the ANC.

The deal might seem surprising given the ANC's long-standing opposition to foreign investment in white-ruled South Africa.

The ANC has said the economic sanctions against South Africa should not be lifted until blacks join the Government.

That could happen soon, if black and white negotiators agree on forming a joint panel that will help govern the country in preparation for multiracial elections planned for April.

### Educate blacks

But Digital has already arrived, with the ANC's support. One reason is Digital's commitment to helping employ and educate blacks. Another is the involvement of the Thebe Investment Corp

Thebe was set up with money from ANC leaders Mandela and Walter Sisulu. Its 11-member executive management includes ANC regional chairman Tokyo Sexwale; Vusi Khanyile, the former ANC finance director; and Enos Mabuza, former head of the KaNgwane homeland who is aligned with the ANC.

Thebe formed Bhekisizwe Computer Systems, one of two South African companies with contracts to sell Digital products locally.

Sexwale said ANC policy allows foreign companies to open offices and "study the situation" until sanctions were lifted. He said Digital had yet to begin conducting business.

"It's not really a breaking of sanctions," he said.

But Vikkee Love, manager of marketing and business development for Digital's South African subsidiary, said full operations began on July 1.

**‘You're not welcome in this country unless you come in through the ANC’**

"We're very pleased from a business perspective," she said. "It has surpassed our expectations."

Some analysts see the Digital-Thebe deal as an example of ANC hypocrisy on the sanctions issue.

"You're not welcome in this country unless you come in through the ANC," said Eugene Nyati, an economist for the Centre for African Studies.

Nyati said Thebe was positioned to attract investors by promising influence with the ANC, which is expected to win the first elections including the black majority. That could result in an ANC-led government awarding contracts to businesses with close ANC ties, he said.

"This whole thing lends itself to corruption," Nyati said.

He noted that Thebe is exploring an arrangement with US publishing giant Macmillan Inc through its subsidiary in Swaziland, Macmillan Boleswa, to create a joint publishing company in South Africa.

With lucrative contracts for school textbooks to be awarded by a post-apartheid government, news reports have speculated the Macmillan-Thebe talks are aimed at creating a "favourite son" candidate

Nonsense, exclaimed ANC and Thebe officials.

"Thebe is an independent organisation," said ANC spokesman Carl Niehaus.

He said Mandela and Sisulu helped set it up to "facilitate economic empowerment" of blacks denied equal

**‘People want to criminalise black economic empowerment’**

opportunity under apartheid.

Decades of apartheid have left whites in control of virtually the entire economy. Multiracial elections will bring little immediate change, although blacks have started to reach management positions and compete in some industries.

Sexwale said whites feared Thebe because it is involved in major projects in industries previously controlled by whites. "People want to criminalise black economic empowerment," he said. "It is because Thebe is going with Digital, with oil, with insurance, with banking that people now begin to have objections."

The Batho-Batho Trust, founded by Mandela, Sisulu and others, put up a reported R8 million to get Thebe going.

Thebe has several holdings, including a property management company, a travel agency, a car rental agency and a marketing company for ANC products, such as T-shirts.

### Redressing imbalances

According to a Thebe marketing brochure, the corporation's aim is to "redress the economic imbalances that exist in South Africa" due to apartheid. Sexwale said the Batho-Batho Trust decides what to do with Thebe profits and is committed to putting the money into the black community.

Many African nations have corrupt governments in which an elite gets rich at the expense of the masses. Some whites point to such corruption in opposing black rule, even though the apartheid government has itself been guilty of corruption.

The minority government and business leaders wanted the ANC to call for the lifting of all remaining sanctions last month when negotiators set the date for elections.

Most sanctions are gone but a UN embargo on weapons technology and a ban on World Bank and International Monetary Fund loans remains.

In addition, 27 states, 89 cities and 25 districts in the United States continue to impose their own economic sanctions, according to the South African department of trade and industry. — Sapa-AP.

## Honeywell opts for SA subsidiary

(62) CFS/8/93  
Deputy Business Editor

US-BASED Honeywell Corporation, which disinvested from South Africa seven years ago, has signed an option agreement to re-establish a subsidiary in the country.

The agreement is an option to purchase the Martech business — distributors of Honeywell products and services in sub-saharan Africa — which was sold to Murray & Roberts when Honeywell disinvested in 1986.

According to a joint statement issued by Honeywell and Murray & Roberts the agreement, which expires on November 1996, obliges Honeywell to exercise its purchase option provided that the ANC calls for the lifting of economic and financial sanctions and that Honeywell is satisfied that the purchase will not affect its business relationships with US municipalities that restrict suppliers' involvement in SA.

If the option is exercised, the business will become a wholly owned subsidiary of Honeywell.

Terms of the agreement were not disclosed.

# Big Apple franchise offers coffee with many flavours

By ZILLA EFRAT

SOUTH Africans are now able to enjoy a range of flavoured coffees — from cinnamon-hazelnut to sambucca or kahlua fudge — thanks to the end of sanctions.

Mariano Bruni and Terrance Papadogainakis have secured the Big Apple Coffee Company franchise for Africa.

After much testing to develop the "perfect cup" for the SA market, they opened their theme bar in Rosebank, Johannesburg, this week.

They plan to sell their products in supermarkets. All coffee beans will be flavoured in South Africa.

Big Apple outlets will sell a host of cappuccinos, decafs, ice creams and cocktails — all made with flavoured coffee beans — and a range of Italian coffees.

Mr Bruni says Big Apple has 48 franchises in the US, most of them in California. His is its first outside America.

He says flavoured coffee is the largest seller in the US. It was introduced to mask the poor taste of coffee after the world crop failure in 1974.

Each Big Apple theme bar, with its New York skyline mural, will be an Italian coffee shop by day and a soft jazz and blues venue by night.

The next theme bar franchise is planned for Cape Town. Smaller franchises with standing counters will open in shopping centres. Negotiations are under way for a bar in Australia.

Another US franchise launched in SA is Coverall, specialising in commercial cleaning services.

Its North American senior vice-president, Glenn Miller, says entrepreneurs can start a cleaning business for R3 500.

In exchange, Coverall will provide technology, equipment and supplies, training and an initial customer base.

The group, which has 3 000 franchises in Britain, Spain, Canada and Thailand, also carries out public relations and billings and collections.

Franchisees are taught to bid for accounts, but they can buy further contracts from Coverall which has a marketing department.

Mr Miller says start-up costs are low because Coverall later profits from royalties and other fees. It has a major interest in ensuring that the franchisees succeed.

He believes that between 50 and 70 Coverall franchises are possible in its first year in SA.

The group is targeting small- to medium-sized buildings that do not have professional cleaning services. It estimates that the market is worth about R400-million a year.

The SA franchise is held by consortium Argosy Investments, which will start commercial operations next month.

# Seven American franchises on their way to SA

SEVEN American-based franchises are coming to South Africa. *SI Times*

By TERRY BETTY

They are Service Master, computer learning centre New Horizons, Ceiling Doctor, Form You 3 weight-loss and aerobic centre, skin-care and cosmetics company Judith Sans International, Perma Glaze and communication service centre Mail Boxes. *(BUS)*

Surefire Corporation chief executive Chris Dunn, South African representative of the seven, says that other US, British and Australian franchises will follow.

Mr Dunn says the combined turnover of the seven US franchises is about \$6-billion a year. *(448)*

"An educated guess is that the combined financial contribution of these franchises to the SA economy over the next five years will be more than R1-billion."

## Spread

Service Master is one of the largest franchisers in the world with more than 8 000 franchisees and an annual turnover of \$3,5-billion.

Projections are that the seven will open 1 950 outlets in SA, generating R180-million turnover in the first year.

Mr Dunn says the franchises will be affordable. Most will allow half the fee to be paid up-front, the balance spread over three years.

The all-in cost of a franchise, including start-up costs, such as equipment and in some cases fitting an

outlet, will range from R25 000 to R300 000.

Franchisees will have to pay the franchise holder between 3,5% and 6% of net turnover. *2218193*

Mr Dunn says the master franchise licences will be sold to large businesses and others who can afford them. The deals will be broken down into affordable territorial licences. *(62)*

Mr Dunn says Perma Glaze is a low-cost franchise. The product is a synthetic porcelain glaze that contains powdered glass and has a molecular structure similar to real porcelain.

Service Master provides several different opportunities. For example, one will offer customers a plant operation and maintenance programme, and high-quality management control.

A maintenance division will provide management of systems for diagnostic and therapeutical-clinical equipment.

If this sounds too technical, also on offer will be a food management and laundry and linen service.

Mr Dunn says that because the franchisers are based in America, the agreements have been drawn up in accordance with International Franchise Association (IFA) rules, which are designed to protect the franchisee to a greater degree than SA regulations do.

## American firms won't rush back to SA — expert

(b2) AKG 10/9/93  
NEW YORK. — American companies' return to South Africa promises to be more of a trickle than a flood in spite of African National Congress president Nelson Mandela's pledge to call for an end to international economic sanctions against the country.

Violence, a weak South African economy and political uncertainty remain thorny issues for businesses considering a return.

"If you're going to have a major increase in investment you're going to have to see some considerable improvement beyond the status quo," said John Howard, director of international policy and programmes at the United States Chamber of Commerce in Washington.

"I don't see businesses rushing back at all."

Mr Mandela said on Wednesday he would endorse the lifting of sanctions after parliamentary approval of a multiracial council to run the country until elections were held on April 27. Approval is expected by the end of the month.

But even without the sanctions, American firms are likely to remain cautious about investing human and financial capital to restart operations in the still-fractious country.

At present, 135 US companies have direct investments or employees in South Africa, down from 267 in early 1986, says the Investor Responsibility Research Centre in Washington.

One top concern was crime, said Bill Moses, a senior analyst at the centre.

Widely-reported attacks on whites by black extremists, continued strife among rival black groups and random crime mean corporate managers will be hesitant to send staff and materials until their safety can be assured.

Uncertainty over who will ultimately run South Africa and how the country will be governed will cause companies to think twice before making long-term investments, say Mr Moses and others.

And the sputtering South African economy, which has been in recession for the past four years, makes the country less attractive for investment than other parts of the world that offer higher returns.

The history of sanctions against South Africa is long and complex.

The 1986 US ban on new investment there was repealed in the summer of 1991, but other sanctions remain in force.

At least 179 American cities, counties, regional authorities and states still applied sanctions, Mr Moses said. Some restrict government pension funds from investing in companies doing business in South Africa. Others penalise companies doing business there when they seek government contracts.

Also, remaining federal sanctions block loans to South Africa from the World Bank and the International Monetary Fund. — Sapa-AFP.

# Caltex chairman calls on US businessmen to invest in SA

ARG 28/9/93

**PETER FABRICIUS**  
The Argus Foreign Service

NEW YORK. — The chairman of Caltex — the American company with the biggest workforce in South Africa — has urged fellow Americans to invest in the country.

Caltex's 50-year history in South Africa reflected the confidence it felt in the country's future, Patrick Ward told a conference organised by the United States National Foreign Trade Council and South African stockbrokers Frankel, Polak Vinderine on US Investment in the New South Africa.

South African politicians and businessmen and American entrepreneurs and officials joined in the greatest show of unity yet seen to sell South Africa to America.

The lifting of sanctions last week removed all obstacles. Trevor Manuel, head of the Af-

rican National Congress's economics department, extolled the advantages to investors of South Africa's financial and physical infrastructure.

"I know I must sound like a door-to-door salesman for Ace brushes," he quipped, "but you could do a hell of a lot worse than invest in South Africa."

About 200 representatives of top US firms listened intently, and many said afterwards they had liked what they had heard and would research further.

Mr Ward said that as an industrial nation South Africa satisfied important requirements for foreign investment.

"You can find world-class infrastructure, varied entrepreneurial opportunities, a modern financial and legal system, mineral wealth, raw materials, plentiful and rich agricultural land and a talented work-force."

"South Africa also offers a

rapidly-broadening consumer base and an excellent distribution point to other countries in Southern Africa."

Mr Ward also listed risks — including violence, productivity levels, training labour and uncertainty about future economic policy.

John Sims, former vice-president of Digital Equipment, which opened in South Africa this year, strongly advised other American companies to follow.

US Assistant-Secretary of State for Africa George Moose said Americans had played a part in bringing down apartheid.

"Now... we must turn our attention and efforts to a new phase of that struggle.

"As investors we can contribute to — and benefit from — a new, stable South Africa."



**Oil spill in river** Armenians homeless

**5** YEREVAN (Armenia). — On the eve of the fifth anniversary of Armenia's earthquake, which killed more than 25 000 people and demolished densely-populated areas, the state department for refugees said 1.1 million of the former Soviet republic's residents were without permanent homes.

**1.4-m children 'forced to work'**

**6** RIO DE JANEIRO. — About 1.4 million children aged between 10 and 14 are forced to work illegally in Brazilian cities. They contribute 30 percent of the income of poor families, says a report by the Brazilian Institute of Geography and Statistics.

**R5,8m old master paintings stolen**

**7** LONDON. — Old master paintings worth more than R5,8 million were stolen from an art gallery here, police said. The thieves escaped with 15 works by artists including David Teniers, Jan van Goyen and Pieter Brueghel the younger.

**Mexican 'drug kingpin' arrested**

**8** MEXICO CITY. — Mexican police have arrested Javier Arellano Felix, a suspected drug kingpin wanted in connection with the slaying on May 24 of a Roman Catholic cardinal in the western city of Guadalajara.

# Brown urges US firms to invest in SA

## Call to scrap codes of conduct

**PETER FABRICIUS**  
The Argus Foreign Service  
WASHINGTON. — United States Commerce Secretary Ron Brown has called on states and counties not to impose codes of conduct on firms doing business with South Africa.

It was important that the new leadership in South Africa made its own rules and regulations and that America did not do so for them, Mr Brown said in an address here yesterday to the Centre for National Policy about his trade and investment mission to South Africa which ended last week.

He was asked whether he would urge Massachusetts, in particular, to change its policy.

This year Massachusetts repealed its sanctions but replaced them with a policy whereby US companies doing business there would be monitored to ensure they complied with a code of conduct obliging them to devote some resources to uplifting blacks.

Mr Brown said he would urge Massachusetts and others to change their approach.

One of the businessmen on the South Africa mission had told him that he was going to

have to fight within his company to get it to invest in South Africa rather than China or Latin America.

"He told me that if there were obstacles or impediments which made South Africa less enticing he was going someplace else," said Mr Brown.

He said the Clinton administration had an important responsibility to urge state and local authorities to lift remaining sanctions, which were as much of an impediment to investment as federal sanctions had been.

He hoped his visit had sent that signal.

At an earlier briefing Mr Brown said he was convinced that every one of the 25 companies which had taken part in his mission would decide to do some form of business with South Africa.

Mr Brown disclosed that the Administration was discussing the possibility of granting South Africa preferential trade status under the US's Generalised System of Preferences, which lowers trade tariffs for developing countries.

He declined to put a dollar figure on what this might mean.

## SA left out of war-law talks

**The Argus Correspondent**  
JOHANNESBURG. — South Africa is not represented at a milestone meeting of African armies taking place in Nairobi because it is not a member of the Organisation for African Unity.

The five-day workshop, on the law of war, has been organised by the OAU and the International Committee of the Red Cross (ICRC).

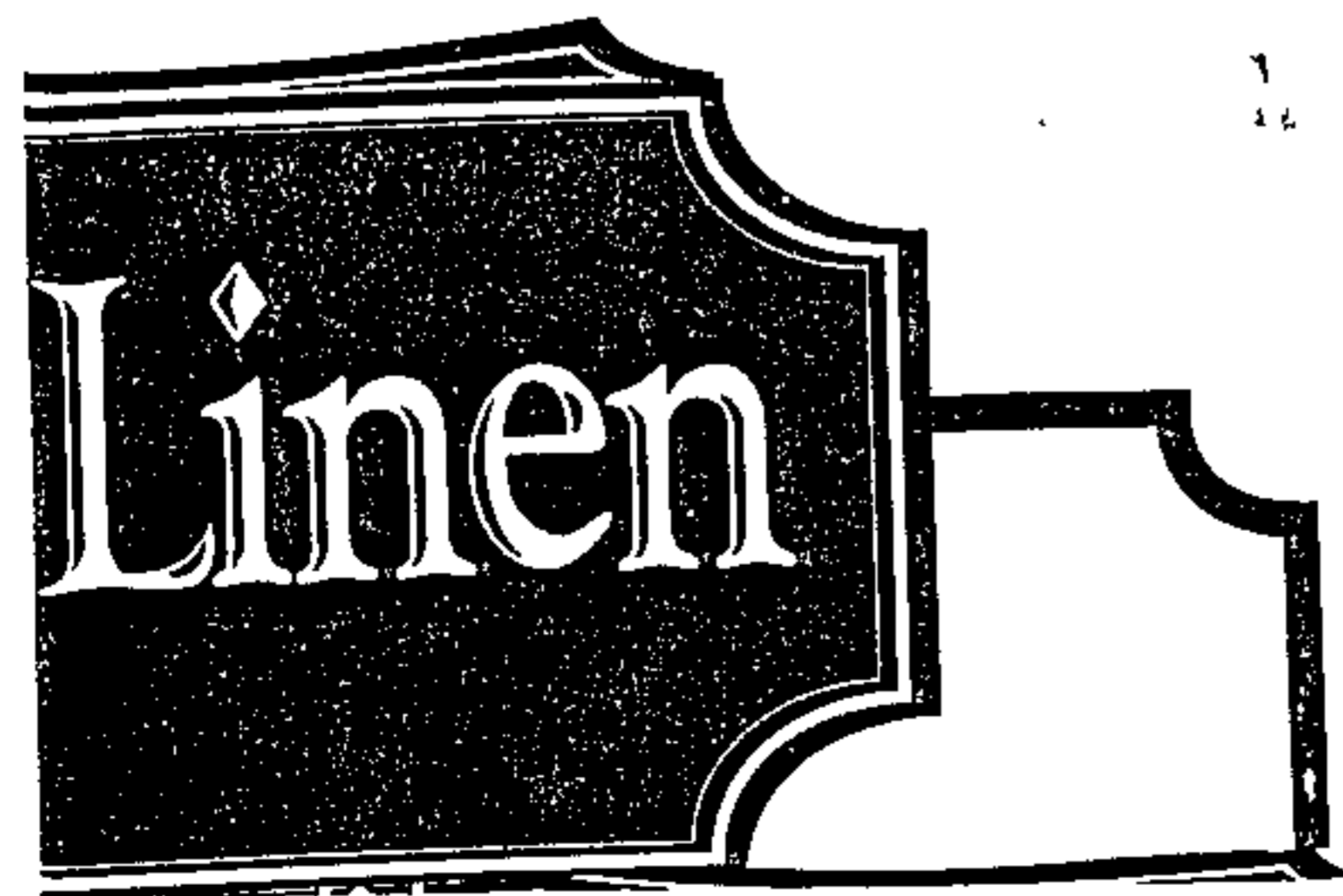
ICRC representative in South Africa Nic Sommer said South Africa's non-participation was only because of its non-affiliation to the OAU.

## Renamo keeps monitors waiting

**Argus Africa News Service**  
MAPUTO. — While a number of Renamo soldiers have arrived at assembly points from which they will be demobilised, none has yet checked in with the United Nations monitors, a Mozambican government official said.

UN officials reported that by Sunday 1 580 government troops had arrived at their designated assembly points and 1 423 had checked in.

Mozambican Labour Minister Teodato Hanguana said he found the low Renamo turnout of 423 worrying.



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# Code of conduct not only for US firms, says Brown

Weekly Mail Reporter

US Commerce Secretary Ron Brown made it clear this week that a South African code of conduct applying only to US firms was unacceptable to America.

Brown said in a lunchtime speech on Monday he expected the new government would legislate a code of conduct.

He expressed opposition to such a code applying only to the US and not to local companies or to each country having a different code.

Brown was on a historic visit which saw the signing of the Overseas Private

Investment Corporation (Opic) agreement by Brown and Finance Minister Derek Keys.

The Opic provides political risk insurance for US investors and investment financing programmes and should facilitate the flow of US investment into South Africa. He said it also served as a signal that the US is committed to a new business relationship with the emerging South Africa.

Brown's trade and investment mission comes in the wake of US President Bill Clinton signing legislation lifting sanctions.

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62 WM 3-9/12/93



# IBM returns with 24% stake in ISG

BIDAY 23/12/93

ROBYN CHALMERS

SEVEN years after pulling out of SA, IBM yesterday announced it would return with the acquisition of a 24% stake in local distributor Information Services Group (ISG) at a cost of R110,5m.

Analysts described the acquisition by the world's largest computer group as a major vote of confidence in the new SA which would make it easier for other US organisations to justify their return.

In terms of the agreement, IBM will purchase 3% of the issued share capital of ISG from the ISM Trust and 21% from ISG Holdings, which is a wholly owned subsidiary of the trust. The trust will retain its 100% stake in ISG Holdings, but ISG Holdings' share of ISG will be reduced from 60% to 39%.

ISG CE Brian Mehl said IBM had secured further options until December 31 1997 to acquire more shares in ISG from ISG Holdings. Should the options be exercised, IBM could attain a controlling interest in ISG. If IBM decided to increase its stake in ISG to more than 35%, it would first make an offer to ISG's minority shareholders in accordance with the Securities Regulation Panel rules.

The cost of the deal at R110,5m equated to 310c an ISG share, considerably lower

than yesterday's share price of 350c. Mehl said it had been agreed that the price of the shares would be taken from when the two parties initiated negotiations at the beginning of November. (62) (332)

"The acquisition was only made possible by the decision of former ISG joint owner Barlow Rand to unbundle in October. This left ISG as an independent entity, controlled by the trust which was set up after IBM disinvested." (62) (332)

The trust's decision to acquire Barlows' 50% interest in ISG Holdings was made in order to put ISG in a position to strengthen its ties with IBM or seek new partners.

Mehl said IBM had not negotiated a buyback agreement with the trust when it disinvested in 1986. He said the strengthened relationship would enhance ISG's image in the market. "ISG will now have more ready access to the international IBM base of skills and will also benefit from being closer to IBM's technological developments and strategic thinking."

"It will make available a large pool of resources which can be utilised for significant and leading-edge customer projects,

□ To Page 2

## IBM BIDAY 23/12/93

□ From Page 1

but there will be no staff or name changes made to ISG as a result of the deal."

IBM world trade Europe, Middle East and Africa chairman Hans-Olaf Henkel said IBM was delighted to be able to build on the relationship with ISG. "We are confident that this is a very good investment for IBM. The implication of this action will be that ISG's position of sole supplier of all IBM products and services to SA and Namibia will be enhanced." (62) (332)

SIMON BARBER reports from Wash-

ington that IBM said it would be making no formal announcement of its return to SA. Spokesman Mark Holcomb downplayed the significance of the move.

The company had decided to take an equity position in ISG because it saw a "viable business opportunity", but "the fundamental working relationship" with ISG would not change, he said.

There was no time frame on when IBM might take up its option to buy a controlling stake in ISG. "If we do it will be determined by a wide range of factors."

# Merrill Lynch 12/23/93 opts for new SA

From SIMON BARBER

WASHINGTON. — The major US investment houses are coming back to SA, energetically jockeying for a slice of the action.

Merrill Lynch yesterday became the first to announce publicly a full resumption of business activity in SA. It was followed in short order by rival Lehman Brothers.

Goldman Sachs quietly informed clients that it was ready to start executing SA trades several days ago, but, as is its wont, did not make a formal announcement of its shift in policy.

Merrill, billing itself as the world's leading securities underwriter with client accounts worth over \$500bn, said it was resuming immediately the full range of investor services it began winding down in 1985 and finally abandoned altogether in 1987.

**From ROBYN CHALMERS (62)**  
JOHANNESBURG. — Seven years after pulling out of SA, IBM yesterday announced it would return with the acquisition of a 24% stake in local distributor Information Services Group (ISG) at a cost of R110,5m.

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# Big Blue is back with R110,5m ISG stake

CT 23/12/92

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FOREIGN FIRMS IN SA. U.S.A

1994

By ARI JACOBSON

THE price of Nike products is set to drop by between 20% and 30% in South Africa, with the announcement yesterday that the group will resume its SA presence following a local licensing and manufacturing agreement.

Nike, in a joint press conference in South Africa and US, said the sportswear and footwear products would be distributed under licence locally, via Odyssey Sports and added that a manufacturing division will follow shortly.

Odyssey Sports will be controlled by a consortium consisting of chairman Sam Noinyane and joint MDs David Hirschowitz and Solomon Sithole. Other directors are Yusuf Surtee, Ndaba Ntsele and Michael Hirschowitz.

Nike left the country in 1987 and president Richard Donahue said in the US yesterday that "the group is pleased to re-enter the country and partici-

pate in its advancement".

Joint MD David Hirschowitz said that Nike South Africa would not only benefit local sportsmen but also the community at large "with a percentage of profits being ploughed into socially responsible projects".

Hirschowitz explained that the prices on Nike goods had previously been "inflated" because of the inability to deal directly with the international

conglomerate.

He said that as a result of the new direct linkage, with Nike, retail prices would come down sharply and a wider range of the latest products would become available "in the next sixty days".

In addition he said that sports-wear manufacturing division would be started up in the country and this would create much needed jobs.

(62)

# Nike resets its SA pace with local deal

CTB/1194

Local manufacturer, Adidas MD Tony O' Hagan said that "the three major brands Adidas, Reebok and Nike have always competed in world markets and this introduction will be good for the local industry".

He added that local prices of Nike products "should come down".

He also mentioned that with the increased buying power of the masses "sports goods could be

a major market in the future, although at present it is relatively small".

Cape based sports retailer The Athlete's Foot manager Aubrey Isaacs said that demand for Nike products may now "drop off" while people wait for the cheaper products to come into the shops.

"We may in turn be forced to cut prices, to sell current stocks," he said.

"Even though the goods are pricey there is always demand for Nike footwear and clothing — with cheaper prices this demand will accelerate," he said.

MELANIE SERGEANT

KODAK is back in SA after having cut all ties with the country in the mid-1980s.

Yesterday it was disclosed that Kodak would use Reunert's Nashua to sell its high-volume photocopiers in the R100m-a-year SA market, dominated by Xerox through distributors XeraTech. **BILSON**

Nashua MD Jac Moolman said: "After five years of discussion, Kodak opted to enter SA first with its photocopier range of machines capable of making 200 000 to 300 000 copies a month." **14/11/94**

It is understood that the decision followed discussions with political parties, including the ANC, and that other Kodak products would be launched on the local market soon.

## Kodak back in SA to sell photocopiers

Moolman said Nashua had been appointed as the distributor from a long list of hopefuls because of its base of about 50 000 copiers installed in SA.

"The Kodak products compare favourably with those from Xerox in terms of price, but with Xerox's rumoured return to the SA market, we don't expect Kodak's entry to be made without a fight."

He said the first Kodak machine would be installed in March. **(b2)**

"These systems sell for about R1m each and are typically used by large corporations, state and parastatal departments and educational institutions."

# Sara Lee acquires Kiwi

19/1/94 (62)  
By Simon Barber

WASHINGTON. — Sara Lee, the US food and consumer products company, announced yesterday it has resumed formal ownership of SA's Kiwi Brands (Pty) Ltd and its subsidiaries.

A spokesman for the multinational said it had acquired Kiwi from a Swiss-managed Jersey Island trust known as Intermerc Number 3. She would not disclose the terms of the transaction.

In 1986, Sara Lee announced it was divesting its stake in what was then Nicholas Kiwi (Pty) Ltd to a closely held Dutch company.

Sara Lee products continued to be sold in SA under license, for which the firm received royalties.

With Kiwi Brands, Sara Lee is also acquiring SA's leading sheer hosiery company, The SA Hosiery Co (Pty) Ltd, Playtex and Avroy Shlain Cosmetics (Pty) Ltd, a direct marketer of skin care products.

# <sup>B1 Day</sup> Kodak appoints SA distributors

AMANDA VERMEULEN

US PHOTOGRAPHIC technology group Eastman Kodak has stepped up its reinvestment in SA by appointing Fotoquip and Idcor Holdings to distribute jointly its professional imaging products from next month. 24/11/94

Kodak, which disinvested from SA in 1986, re-entered the market last year when it appointed Nashua to distribute its high volume photocopiers in the R100m market.

Fotoquip would increase its Kodak range to serve the R15m specialist photographic products market and Idcor would supply the R50m media and laboratory markets.

Companies supplying the R200m consumer market had also placed orders with Kodak. SA Druggists photographic division GM Tim Sanders said Kodak's return should stimulate the Fuji-dominated market in the long term.

Champion and Tecmed were jointly negotiating the rights to distribute Kodak's health science products in the R700m medical film and equipment market, said Champion marketing director Peter du Sautoy.

Kodak representatives in SA declined to comment on its latest investment in the SA market.

Analysts said Kodak's return was encouraging but its short-term capital investment would probably be minimal. (b2)



# Polaroid to return to SA in a 'few months'

CT 28/11/94

Own Correspondent (62)

LONDON. — Polaroid is to return to SA in the next few months after a politically motivated absence of about 16 years and will distribute its products directly through its own agents.

The board of the US-based multinational with an annual turnover of about \$2bn took the decision to return 10 days ago after sending an investigative mission to SA in November. The decision follows similar moves by Kodak and Fuji to return officially to SA.

Since 1977, when Polaroid terminated its distribution arrangement with Frank & Hirsch, its products entered into SA via third parties, and this could have resulted in higher prices. Margins could also have been stretched as a result.

Export GM Kent Wilhelmsson said in an interview at a press briefing yesterday that the re-entry into SA would make its entire product line available there. Some products — particularly those in the technical area such as microscopic cameras, and sophisticated ID, official documentation and medical systems, — had in the past been difficult, or costly to get.

He said the SA market was a large one and that Polaroid hoped to expand its sales very quickly to about \$10m to \$15m per annum.

Wilhelmsson said Polaroid wanted to keep its options open about the establishment of a manufacturing facility in SA. He said the country would serve as a good base to intensify trade with other African countries.

# Honeywell re-invests in SA

■ By Peter Fabricius  
Star Bureau

Washington — Honeywell, the giant \$6 billion US computer group has re-invested in SA, seven years after pulling out at the height of sanctions.

Honeywell announced from its Minneapolis headquarters yesterday that it had re-purchased the Martech business from Murray and Roberts, to create a wholly-owned subsidiary named Honeywell Southern Africa.

Although the terms of the purchase were not disclosed, informed business sources described Martech as a \$25 million (R80 million) company.

Honeywell announced a comprehensive social responsi-

bility programme for the new subsidiary. "It's the right thing to do and its the right time," said Honeywell chairman Michael Bonsignore. (b2)

"With the positive changes taking place in SA, responsible investment by global companies such as Honeywell is critically needed to help provide a sound economic foundation for SA's transition to a multiracial society."

He said Honeywell saw "significant, long-term business opportunities" in its new venture and planned to serve the whole of sub-Saharan Africa and to broaden its activities from the industrial control systems which Martech now provides into control systems for homes and other buildings and

Star 25/1/94  
into avionics.

Honeywell sold Martech to Murray and Roberts in December 1986, divesting its SA operations after 17 years to support sanctions.

Martech MD David Kitchen has been appointed chairman and MD of the new subsidiary and all 130 Martech employees have been offered jobs with it. Honeywell's announcement stressed that the company would be launching several programmes to support social reform and improve social conditions for blacks.

It has established a multi-racial board of directors, including Dr Gordon Sibiyi, chairman of the Science and Engineering Academy of SA, and will appoint a standing, em-

ployee-elected, affirmative action task force.

Before deciding to return to South Africa, Honeywell consulted widely with major political and business organisations in South Africa such as the ANC and with black community leaders, politicians and states and municipalities in the United States.

The company does much business in America with cities and states which imposed sanctions against SA. Although not all of these have yet abolished their sanctions and divestment policies, a Honeywell spokeswoman said the company had got the thumbs-up from bellweather jurisdictions such as Chicago, New York and Los Angeles.

## Polaroid decides to return to SA

LINDA ENSOR

LONDON — Polaroid is to return to SA in the next few months after a politically motivated absence of about 16 years.

It will distribute its products directly through its own agents. (62)

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Export GM Kent Wilhelmsson said yesterday that Polaroid's entire product line would be available in SA.

Some products — particularly those in the technical area such as microscopic cameras and sophisticated identity documentation, official documentation and medical systems — had been costly or difficult to obtain in SA.

SA's market was a large one. Polaroid hoped to expand its sales very quickly to about \$10m-\$15m a year.

Wilhelmsson said Polaroid wanted to keep its options open on the establishment of a manufacturing facility in SA, which would serve as a good base to intensify trade with other African countries.

While Polaroid executives would not speculate on the matter yesterday, it was possible that prices of Polaroid products in SA would fall as a result of the re-established ties.

Polaroid terminated its SA distribution arrangement with Frank & Hirsch in 1977.

# Nike's return raises the pace in SA sports clothing market

S Times 30/11/94

THE world's largest manufacturer of sports shoes, Nike International, is to return to South Africa.

The \$15-billion-a-year group claims to have 33% of the international sports shoe market. It is the world's biggest supplier of sports clothing.

It hopes to regain within a year its dominance of the SA market in the late 1980s.

By DON ROBERTSON

Plans are also in place to set up a manufacturing plant. (b2)

Competitors in an SA sports shoe business worth between R50-million and R80-million a year — Saucony, Adidas and Asics — fear that Nike will slash their market share.

Turnover in the sports clothing business is worth even more.

Competitors expect Nike to force some small firms out of business.

Odyssey Sports signed a distribution agreement with Nike last month and hopes to have a full range of products on the market within three months.

Odyssey joint managing director Dave Hirschowitz says his group has invested about R20-million in the project. Shoes will initially be imported from eastern Asia, but Mr Hirschowitz says production will begin in SA in the next nine to 12 months.

Mr Hirschowitz believes that Reebok, the world's second-largest sports shoe manufacturer, is eyeing the SA market.

Apart from Mr Hirschowitz, members of the Odyssey board are Sam Noinyane, Solomon Sithole, Yusaf Surtee, Ndaba Ntsele and Michael Hirschowitz.

As it does worldwide, Nike plans to involve itself with educational and sporting organisations, assist disadvantaged communities, offer bursaries and individual and event sponsorship though a foundation to be financed from profits.

Mr Hirschowitz says Odyssey's black directors helped the company to secure the distribution agreement.

When products are available, a marketing campaign will be launched and Nike prices could fall by about 20%. Since the company left SA in 1987, Nike products have been available in small quantities, mostly illegal imports.

David Abraham, sales director for Saucony, believes Nike will regain a large share of the market, but not the slice it had before.

"In 1987 they had about 40% of the market, based on Comrades Marathon statistics. This fell to about 19% last year. It could quickly rise to between 30%

and 35% with good prices and Nike's muscle."

Conshu director Richard Santrucek says Nike will be a "worthy competitor" with its strong cash reserves and high profile.

Conshu makes and imports Adidas shoes.

Nike has a strong presence in all sports shoe sectors while Adidas concentrates on road-running shoes.

Mr Santrucek does not believe a price war will develop because profit margins are narrow.

Specialist shoe stores welcome Nike's return.

Jack Snyman, managing director of Johannesburg-based Sweat Shop, says the increased range of products will help business.

Prices, which may have increased in recent years without competition from major manufacturers, could fall.

Heart & Sole's Johnny Halberstadt says the wider range of shoes will benefit customers.

Some small suppliers have built up loyal customers in certain markets. With import duties of 75%, margins are low and a price war is unlikely.

# Nike giant Sowetan 3/21/94 heads for SA

INTERNATIONAL sportswear giant Nike has sold exclusive manufacturing and distribution rights to a black dominated consortium in South Africa.

Odyssey Sports, a consortium which consists of Mr Sam Noinyane (chairman) and joint managing directors Mr David Hirschowitz and Mr Solomon Sithole, will serve as Nike's sole representatives. (S) (b2)

Other directors of the company are Mr Yusuf Surtee, Mr Ndaba Ntsele and Mr Michael Hirschowitz. The deal was facilitated by a South African-based African-American businessman Mr Leyland Hazlewood. Hazlewood is chairman of Dimpex, a management and technical assistance company.

Odyssey Sports was selected out of numerous other consortiums which sought to represent the United States-based company in South Africa.

## Apple Computers set to reopen office in March

*Biday 8/2/94*  
APPLE Computers' long-awaited re-entry into the SA market is now under way and a subsidiary is set to open in March. (62)

The California-based corporation has signed up HNR and Venture Computers as its distributors and they are already ordering stock and taking orders.

Apple's decision to open an office in SA paves the way for entry by scores of Apple peripheral and software suppliers.

In its distributorship decision, Apple has shunned companies in SA which have grey-marketed its products for years, sourcing them from Botswana and directly from overseas. These companies are hoping they can source products from the new distributors for resale.

**MELANIE SERGEANT**

Venture Computers MD Gary Combrink says: "We have traditionally been a hardware distributor, with products such as Mannesman-Tally printers, and have actively looked for other agencies.

"Apple's products fit into the corporate market and we also see exciting opportunities in the education market which is dominated by Apple worldwide."

HNR Computers, traditionally a software distributor, will also distribute Apple's hardware range. HNR's Jack Parak says: "Apple SA will be responsible for authorising dealers, and we will be responsible for service and support."

An official announcement is expected this week.

# Apple signs up SA firms

Own Correspondent

JOHANNESBURG. — Apple Computer's long-awaited re-entry into the SA market is unofficially under way and a subsidiary is set to open in March (62)

The California-based corporation has signed up HNR and Venture Computers as its distributors and they have already started ordering stock and taking orders.

Their appointments follow months of speculation on Apple's return, and its decision to open an office in SA paves the way for entry by scores of Apple peripheral and software suppliers.

In its distributorship decision, Apple has shunned companies in SA which have grey marketed its products for years, sourcing them from Botswana and directly from overseas. These companies are hoping that they can source products from the new distributors for re-sale.

An official press announcement is expected from Apple this week.

# Clinton proposes fund for US investment

From Simon Barber

WASHINGTON. — The Overseas Private Investment Corporation (Opic) is set to launch a new growth fund to promote US investment in SA, according to the budget President Bill Clinton submitted to Congress yesterday.

The \$1.52 trillion budget for 1995 would pare hundreds of programs and drive federal deficits to their lowest level in six years, President Clinton said.

Unlike his first budget a year ago, he

unveiled no sweeping new policy overhauls for the fiscal year that begins October 1.

Instead, the president proposed savings required by the near \$500bn deficit-reduction plan Congress agreed to last summer.

Besides the SA fund, the administration is also asking Congress to contribute a further \$2bn to the multilateral development banks, arguing that these institutions — which include the World Bank —

“can quickly bring large scale resources to bear in such areas as SA”.

OPIC, the US government's foreign private investment promotion arm, intends to unveil the new fund when its first SA investment mission arrives later this month.

Spokesman John Haber said the size of the fund, which will be capitalised by a “limited number of large investors” and backed by OPIC guarantees, would be determined by market interest.

OPIC is studying proposals from a number of fund managers to run the new facility, which will offer both loan and equity finance to qualified projects. To qualify, projects cannot “adversely affect” the US economy, must protect worker rights, and should be environmentally sound.

While available for projects through southern Africa, the budget summary says the fund “will devote a significant amount of resources to projects in SA”.

in SA

The fund will join the existing, OPIC-backed Africa Growth Fund.

OPIC will also provide political risk insurance, loan guarantees and some direct finance to foster US investment in SA.

The Corporation's total exposure in SA is seen as rising to \$250m, leveraging private investment worth many times that figure, a White House official said. The chief aim is to help SA become a major new market for US exports.



## APPLE COMPUTER Returning too late?

After months of rumours, it's finally official — Apple is back. Though for the moment through two official distributors — HNR Computer and Venture Computer — Apple will be setting up a local office soon. Its refusal to do business with unofficial importers of Apple products, however, has resulted in much ill-feeling. Since 1984, when Apple sold its distributorship in SA, the grey market has been the only way in which local businesses have been able to get Apple products and support.

With California's recent lifting of sanctions, Apple Computer quietly appointed two official distributors, HNR Computers and Venture Computers, last week. The last of the high profile computer companies to stay out of SA, it is expected to set up a local sales and marketing office soon. While senior executives in Europe will not say when this will happen, it is an open secret that Apple has been recruiting locally. "All the key people are in place," says an industry source. Charles Proudfoot, who resigned as MD of Siltek company Technetics last year, is widely tipped to head up the local office. He would not comment.

Apple — which places social responsibility and affirmative action very high on its agenda — is expected to set up a model company in SA, with blacks and women in prominent positions. The local office will focus on marketing. Products will be imported by the two

## BUSINESS

distributors, which will be sold to the public via a dealer channel.

Apple's choice of distributors is seen as politically correct because both companies are regarded as "progressive". HNR, owned by businessmen Rasheed Hargey and Hashm Gajjar (also MD of WordPerfect SA), already holds the distributorship for 10 of the top software brands — including WordPerfect, Lotus, Aldus, Adobe, Symantec and Microsoft — as well as computer hardware peripherals. Venture has been very successful in distributing the Mannesmann Tally range of printers and today has grown into Mannesmann's second largest distributor in the world.

HNR MD Rasheed Hargey says: "Apple did not choose us just because we were politically correct. We are experienced distributors." He says the distributors will import Apple products and that Apple will itself choose and authorise the dealers.

But many in the industry believe Apple will struggle to make an impact in the local market. By closing its distributorship in SA in 1984, Apple left the PC market wide open to vendors of the IBM and compatible personal computers. PC-clones from the Far East, which retailed at much lower prices, flooded the market. In recent years, because of poor financial results and declining sales, Apple has been forced to tighten its belt and cut prices dramatically. While this may make its products more attractive to local businesses, it is unlikely they will throw out their existing PCs.

Today, Apple products represent less than 2% of PCs in the local business market. Sales, which include other vendors' peripherals (such as graphics screens and laser printers), are estimated at only about R100m per year. Most of the sales have been by unofficial importers to the printing and publishing houses and ad agencies, which rely on Apple computers for their graphic capabilities. Accounting firms KPMG Aiken & Peat and

Ernst & Young also use Apple to be compatible with associate companies overseas.

Hargey says: "With such a small market share we can only grow." While he admits it will be difficult for Apple to win a big slice of the business PC market, he says that Apple will soon launch a new range of computers which will be based on the PowerPC chip (developed jointly by IBM, Motorola and Apple). He says this will allow Apple to become more flexible in the corporate market because, for the first time, Apple computers will be able to run both Apple's proprietary software and the more popular industry standard PC applications.

Hargey says Apple products will be primarily aimed at government, education and desktop publishing markets. "Because Apple is a world leader in the educational market worldwide, we expect this market to grow dramatically," he says. Naturally, this will largely depend on how much overseas funding will be forthcoming for education.

Meanwhile, much ill-feeling has arisen among unofficial importers of Apple products because the computer company's executives in the US and Europe have made it clear that they are not in favour of the grey market.

Human Touch Computing director Mark Bromley says: "Apple has an obligation to the grey market. We looked after its customers and continued flying the Apple flag for the past 10 years. Its attitude is like a slap in the face." He adds, "We won't just close our door on our customers and will continue to source Apple products from dealers in Europe."

Core Business MD David White makes the point that grey imports are not illegal and that the existing importing and dealer channels specialise in the sale of Apple products. "The two new distributors know precious little about Apple products," he says. Core Business, which sells R3m worth of Apple products each month via 42 specialist

dealers, will continue to import Apple products from dealers in the Far East, Europe and the US.

# Tide turns as US investors return to SA

By TERRY BETTY

APPLE Computers is the latest to join 42 other US companies re-entering the SA market since July 1991.

They include Nike, Kodak, Sara Lee, Procter & Gamble, IBM, Honeywell, Tambrands, Cummins Engine, Dow Jones and Measurex.

A total of 150 US companies have invested directly or have employees in SA, says Meg Voorhes of the Washington-based Investor Responsibility Research Centre (IRRC).

A further 435 have non-equity ties, such as licensing or distribution agreements. There were 184 in July 1991 — the date President George Bush lifted the ban on new US investment in SA.

Mrs Voorhes says 209 US firms left SA between 1985 and 1990.

Several companies are buying back into the subsidiaries from which they disinvested. A total of 209 companies sold or closed their subsidiaries between 1985 and 1990.

US Embassy spokesman says: "The volume coming through our offices is much higher than we expected."

Mrs Voorhes says the Americans have moved from the first stage of estab-

lishing distribution channels to taking a stake in SA companies. (b2)

"The next step will be investing in manufacturing capacity. But that is a longer-term decision."

Many companies are awaiting the outcome of the elections while examining labour laws, the militancy of the trade unions and seeking a partner.

More than a third of the US companies to return since July 1991 are involved in information technology, says the IRRC.

The latest is Apple Computers and others include IBM, Novell, Lotus and Digital Equipment.

US investor attitudes to SA are softening. A 1991 survey showed US bosses foresaw no need to return to SA. Previously hostile markets had opened up and were much larger than SA's.

But by September 1993 companies that had set up shop in Russia and eastern Europe were disillusioned.

They said that even though SA was a small market, it was established and companies could start generating profits quickly.

The IRRC survey says: "US executives are impressed with the ANC's pro-

gress in transforming long-held political positions into a feasible and relatively moderate economic policy."

Mrs Voorhes says much of the US investment arrived in the six months after Nelson Mandela called for the lifting of sanctions.

Before his speech, 179 state and local governments imposed sanctions against SA. The figure is now 78.

An IRRC fact sheet says manufacturers of consumer products, such as cosmetics, clothing, footwear, prepared foods and non-prescription medications, are most likely to set up shop in SA soon.

They are unlikely to have contracts with US city or state governments and they have an added advantage in that SA is familiar with their products.

The IRRC says: "The ANC has said (in 1992) it will urge companies to address apartheid's legacy by complying with guidelines on worker rights, affirmative action, black business empowerment and environmental responsibility."

Massachusetts passed an investment law last month asking for state funds and those of Boston, Newtown and Watertown to invest in companies that adhere to the ANC's guidelines where possible.

SI Times (BUS)

13/2/94

F K n p S n j a

NEWS FEATURE *Housing bonanza*

Manas Shole

# US to give R3,5 billion

Sowetan 15/2/94

■ **AID PACKAGE** *To encourage the*

*creation and expansion of viable enterprises:*

By Joshua Raboroko

**T**HE UNITED STATES PLANS TO make available about R600 million dollars for the development of business and affordable and low-cost housing projects because opportunities here "are immense".

A company from the US has opened business in Sandton, and joined forces with black entrepreneurs to construct housing projects throughout South Africa.

In another development the US government has officially confirmed in Washington that it is preparing an aid package, about R300 million dollars, to assist South Africa's transition to a broader democracy.

Both funds will provide loans, grants, equity investments, technical assistance and training to encourage the creation and expansion of viable enterprises.

### Affordable housing

The US company, known as Gom' Home Inc, whose trademark is Flexxon, will be developing affordable and low-cost housing projects in an attempt to reduce the backlog in South Africa.

The company has joined forces with Consteen Brickworks (Pty) Ltd of Lanseria near Johannesburg and it is expected the South African housing market will experience a boon as a result of the investment.

The first partnership deal clinched is with Soweto's manager of Medicos Haircare Products Manufacturer, Mr Manas Shole, who is also a property enthusiast. Shole says: "We strongly applaud the movement toward greater involvement by the US company in helping the disadvantaged communities."

"We will seek to identify and support the development of collaborative programmes to promote networking and the sharing of institutional capacity to alleviate the critical shortage of priority areas," he adds.

Consteen's co-ordinating manager, Mr Peter Bloom, says: "We want to respond to the growing need throughout the country for jobs, and support efforts to ensure that people at the low and middle levels of the society share the benefits of economic growth."

With the shortage of affordable homes at present and the ever increasing demand for

housing, the Flexxon building system is certainly leaping into the future to alleviate the plight with this unique concept.

The public relations officer of the South African Housing Trust, Mr Hennie Crowther, estimated that in 1992 the housing backlog in the urban areas of South Africa (excluding the independent homelands) was 1,8 million units (62).

The SAHT said that 550 houses, at an average price of R20 000 a house and stand, needed to be built every day to eradicate the backlog by 2020. This represented an investment of R11 million in low-cost housing each day.

Bloom says: "We believe this can best be successfully attained by increasing investments in micro-enterprises, village and neighbourhood lending facilities, and small and medium size businesses."

The company has brought investment to South Africa, and will be creating job opportunities for many unskilled workers.

The rate at which this will occur will depend on the decline in violence and the increase in political stability.

Bloom says: "The company is sensitive to the needs of job creation and they are therefore working very closely with trade unions, local civics to ensure harmony and communication between all parties throughout the projects."

"This new venture is intended to help create new black entrepreneurs throughout the country, and thus create a better business environment for the future," Bloom says.

### Larger products

Shole says they will venture, not only for construction of houses, but also for the building of larger projects such as schools, hospitals, clinics, apartment buildings, hotels and recreational facilities.

Mr Brian Atwood, administrator of the US Agency for International Development Aid, said the package would include a major housing loan guarantee programme, assistance for electrification, health care, education and job creation, and an enterprise fund to mobilise capital to promote black business.

The enterprise fund would be capitalised with about 100 million dollars (R3,5 billion) of US taxpayers' money over the next five years.

ROBYN CHALMERS

THE Wang computer group announced yesterday that it was returning to SA and would meet potential local representatives next week. BIDAY 22/2/94

Wang distribution operations director Peter Toumazi said from the US that SA's decision to abandon apartheid had been the motivating factor behind the group's return. It pulled out of SA in the mid-1980s.

"SA has always been a big market for Wang's products, even after we announced we would no longer be a direct supplier. We believe there are good growth prospects in SA," he said.

Worldwide, the US-based Wang has a turnover of \$1bn and is represented in 130 countries. (62)

## Wang computers set for return to SA

Toumazi and senior vice-president Mias van Vuuren will arrive in SA on Monday to negotiate contracts with local representatives. Toumazi said Wang did not intend setting up an office in the short term.

After Wang left SA its products were distributed mainly by General Business Systems (GBS) and Infotech, and were sourced in the open market. GBS and its subsidiary companies were liquidated by the Rand Supreme Court in August 1989. It subsequently closed down.

Toumazi said he expected to have local distributorships in place by the end of the Wang team's visit next week.

From VERA VON LIERES  
JOHANNESBURG. —  
US food company CPC  
International has exer-  
cised its option to buy a  
50% stake in SA's Ton-  
gaat Consumer Foods for  
R92m, in one of the  
largest US investment  
deals since the lifting of  
sanctions.

The joint venture, to be called  
CPC Tongaat Foods, will combine  
CPC's internationally known  
brands with Tongaat's estab-  
lished range of foods to produce  
branded consumer foods locally  
and in countries across sub-Sa-  
haran Africa.

The Tongaat-Hulett Group and  
CPC International signed a joint  
technology and licensing agree-  
ment in October which granted  
Tonga Consumer Foods (TCF)  
the rights to manufacture and  
market various CPC food brands  
under licence in SA and to export  
CPC brand products to sub-Sa-  
haran Africa.

CPC had been given the option  
to purchase 50% of the equity in  
TCF within an 18-month period.

CPC Tongaat Foods executive  
chairman Simon Dougherty said  
the joint venture, which was look-  
ing to expand through new pro-  
ducts and acquisitions, should  
achieve a turnover of R1bn in its  
first year.

# CPC nets 50% Tonga stake

CT 11/3/94 (b2)

He said the venture would pro-  
duce "a formidable basket of  
packaged foods" for South Africa  
and sub-Saharan African region.

Tonga-Hulett Group MD Ce-  
dric Savage said the venture  
"offers the greatest advantage for  
competitiveness as we don't have  
the time to become internation-  
ally competitive without major  
outside input".

## Global assets

"CPC's purchase ... will give  
the local company access to a  
range of global technology in food  
processing which has established  
us as first or second in market  
positioning in 58 countries  
around the world," CPC Europe  
consumer foods vice president  
Mohammed Wahby said.

The new company would bring  
together the global assets of CPC  
and the local strength of the local  
Tonga-Hulett group, he said.

He added that the reinvestment  
showed a commitment to the cur-

rent political and economic ini-  
tiative.

Tonga-Hulett was looking at  
similar partnerships for other di-  
visions, including a R1,4bn ex-  
pansion of its rolled-aluminium  
products facility and joint ven-  
ture opportunities in its sugar,  
starch, glucose and property divi-  
sions.

The group was also examining a  
R10m extension to its Klerksdorp  
plant, to be commissioned by the  
year-end to manufacture CPC  
products.

In terms of the deal, Knorr,  
Hellmann's, Bovril, Marmite, Na-  
polina and Maizena will be mar-  
keted in sub-Saharan Africa.

When CPC withdrew in 1987, it  
sold the rights to its brands to the  
Tonga-Hulett Group, but con-  
fined the territory in which they  
could be marketed to SA and Na-  
mibia.

SA and sub-Saharan African  
states will also be able to market  
CPC brands.

# US property firm for SA

*Times Bus*  
McCOY-PM Realty Group, the largest minority-owned commercial property group in the United States, is to invest in South Africa. *3/4/94*

It has property worth more than \$5-billion in its portfolio and expects to open an office in Johannesburg soon.

Chairman and chief executive Richmond McCoy says the group will offer management and leasing services and will represent US firms returning to SA.

The final structure of its "sizeable" investment has not been decided on, but is expected to involve SA black ownership.

62

By ZILLA EFRAT

Initially, about 10 people will be employed. Black construction, landscaping and security services will be required.

The group will train black South Africans in property service.

Mr McCoy is on his second visit to SA. The first was as part of US Commerce Secretary Ron Brown's mission last November.

He believes a post-election SA will offer huge opportunities.

# Pepsi gives its SA plans a lift

5 Times (Buss)

PEPSI Cola's return to South Africa is imminent and is being spearheaded by former Afgen managing director Khehla Mthembu.

Its return, concentrated on the Transvaal, is said to involve an investment of \$20-million (R70-million).

About \$5-million (R17-million) in cash and bottling equipment could come from America's Pepsi Cola International.

Pepsi's return is being structured as "visible support" for black economic empowerment.

The money will go into New Age Beverages (NAB).

Sources say NAB has secured the exclusive franchise to make and distribute certain Pepsi products in the Transvaal. They include Pepsi Cola, Diet Pepsi Cola, Seven-Up, Mirinda and Shani Ginger Beer.

NAB president and chief operating officer Monwabisi Fandesio confirms discussions are taking place with Pepsi Cola International

By ZILLA EFRAT

al and other investors. He will not elaborate because talks are at a sensitive stage. 314194

Mr Mthembu, once a prisoner on Robben Island and Azapo president, is NAB chairman and chief executive officer.

He resigned from Afgen, SA's only black controlled short-term insurance company, in February after receiving what was described as an offer he could not refuse.

Two other NAB executives come from the National Sorghum Breweries (NSB) stable. As managing director of Vivo Breweries, Mr Fandesio was responsible for introducing NSB's clear beer to SA.

NAB director of sales and marketing Mziwandile "Japan" Pohlwana was managing director of NSB's Jabula Foods.

All three are said to have

visited the US to familiarise themselves with Pepsi Cola International's operations.

It is believed that NAB is about to secure plant in the Transvaal. It is expected to move into other provinces.

Initial capital requirements will be minimised by using co-packing plant and establishing relationships with distribution systems operated by black entrepreneurs. (62)

NAB is expected to support education and training.

Pepsi Cola International identified SA as a growth area some time ago. It is the eighth-largest and sixth-most profitable softdrink market in the world.

Several Pepsi project teams have visited SA in the past two years. Re-entry strategies have changed several times.

They spoke to Fedfood (now Foodcorp), Fabcos, to which the SA Taverners' Association is affiliated, and NSB.

## April's free days to cost R7bn

5 Times (Buss)

APRIL will be one of the shortest working months in years. Some firms will work on only 10 days because of holidays and the election. 314194

The loss of production could cost the economy R7-billion — nearly 2% of this year's gross domestic product.

Econometrix's Tony Twine says that for every non-working day the economy loses R1-billion and that it will not recoup April's losses.

"There will be a loss of production in the days leading up to the public holidays and the election," says Mr Twine.

"One has only to look at what happened in Johannesburg this week to see how mass action can affect the economy. Weakening

By CIARAN RYAN

of economic momentum in April cannot be recovered in May." (23)

Most affected by the Easter holidays are shops and offices. Mines were closed on Friday, but will work through the coming week's holidays.

Jo Schwenke, senior general manager of the Small Business Development Corporation, says some retailers will work only eight days in April.

"They have to stock up for the month to ensure no disruption to supply. Manufacturers will not be so badly affected. They have contingency plans for the holidays."

# Blacks in forefront of Pepsi return

*Sowetan 7/4/94*

**By Mzimkulu Malunga**

TWO former officials of the National Sorghum Breweries and an insurance man are spearheading Pepsi's return to South Africa.

Mr Khehla Mthembu, formerly managing director of Aften, NSB's Mr Japan Phohlwana and Mr Monwabisi Fandeso are the men behind Pepsi's R70 million investment in this country.

Rallying under the banner of New Age Beverages, the group is believed to have secured exclusive rights to make and distribute Pepsi's products in South Africa.

Among the well-known brands will be Seven-Up, Pepsi Cola, Mirinda and Shani.

Sources suggest the final touches of the deal are being finalised. (b2)

Mthembu is currently overseas on a trip believed to be linked to the return of Pepsi to South Africa.

A plant could be acquired in the Transvaal soon after the deal has been finalised, sources say.

It is not clear yet what the relationship between the NAB and NSB will be, particularly in the wake of NSB's chief executive Mr Mohale Mahanyele's announcement during the launch of the company's soft drinks division last month that ties with Pepsi have been cut.



(62) AR 20/4/94

## US banks head back to SA

JOHANNESBURG. — US banks were re-entering South Africa in significant numbers, Finance Minister Derek Keys said today.

Addressing the launch of a South African trade fair scheduled for September in New York, Mr Keys said American banks' involvement in the country had been prompted by the necessity of shoring up South Africa's reserves.

In the run-up to the election, he said it was critical to make provisions to counter the expected pressure on the country's foreign exchange reserves.

Lines of credit had been secured from banks around the world, and "the American banks have come to the party in substantial numbers".

The US has become South Africa's most important trading partner with total trade in excess of R13 billion annually but the trade balance is more than R2 billion in America's favour. — Sapa.

Fm 22/4/94

## FORD MOTOR CO Looking at a comeback

Ford, the US motor giant that disinvested from the SA Motor Corp (Samcor) in 1987, is being wooed to return as a shareholder with the prospect of a major management role. (62)

Amic, Samcor's major shareholder, is eager for Ford to become a partner. Not only does it believe that Ford's involvement would strengthen Samcor locally but it would also open up additional export opportunities for the company, which builds Ford, Mazda and Mitsubishi vehicles.

Samcor was created in 1985 through the merger of Ford SA and Amic's Amcar. Ford Canada, the division through which the US company controlled its SA interests, disinvested two years later. Of its 50% shareholding, 24% was donated to an employee-controlled trust and the remainder sold to Amic.

Despite agreeing to Amic's request to maintain board representation, Ford's relationship with Samcor since then has been limited, even distant. Now, says Samcor MD Robert Herbertson, that relationship is rapidly being repaired.

"It has been in a growth phase since the end of sanctions. Ford is becoming far more constructive in its participation in our affairs. There is a marked improvement in the measure of support."

In tangible terms, that has already been seen in growing access to Ford's international supply networks. Samcor is a partner in a joint venture exporting catalytic converters to Ford, with the prospect of exporting a number of other components. Ford representatives are advising the company and its local suppliers on improving quality.

Samcor is also being encouraged to find new markets in Africa. Besides SA's neighbours, the company is exporting vehicles as far north as Kenya, Uganda and Tanzania, markets previously the preserve of Ford Europe.

Exports will become even more important if new recommendations framed by the government-appointed Motor Industry Task Group are accepted. So draconian are these recommendations that few companies are expected to survive if they are implemented intact. Samcor is among those companies under threat from the plan. A strong, sustained export drive would be vital and the new relationship with Ford could make the difference.

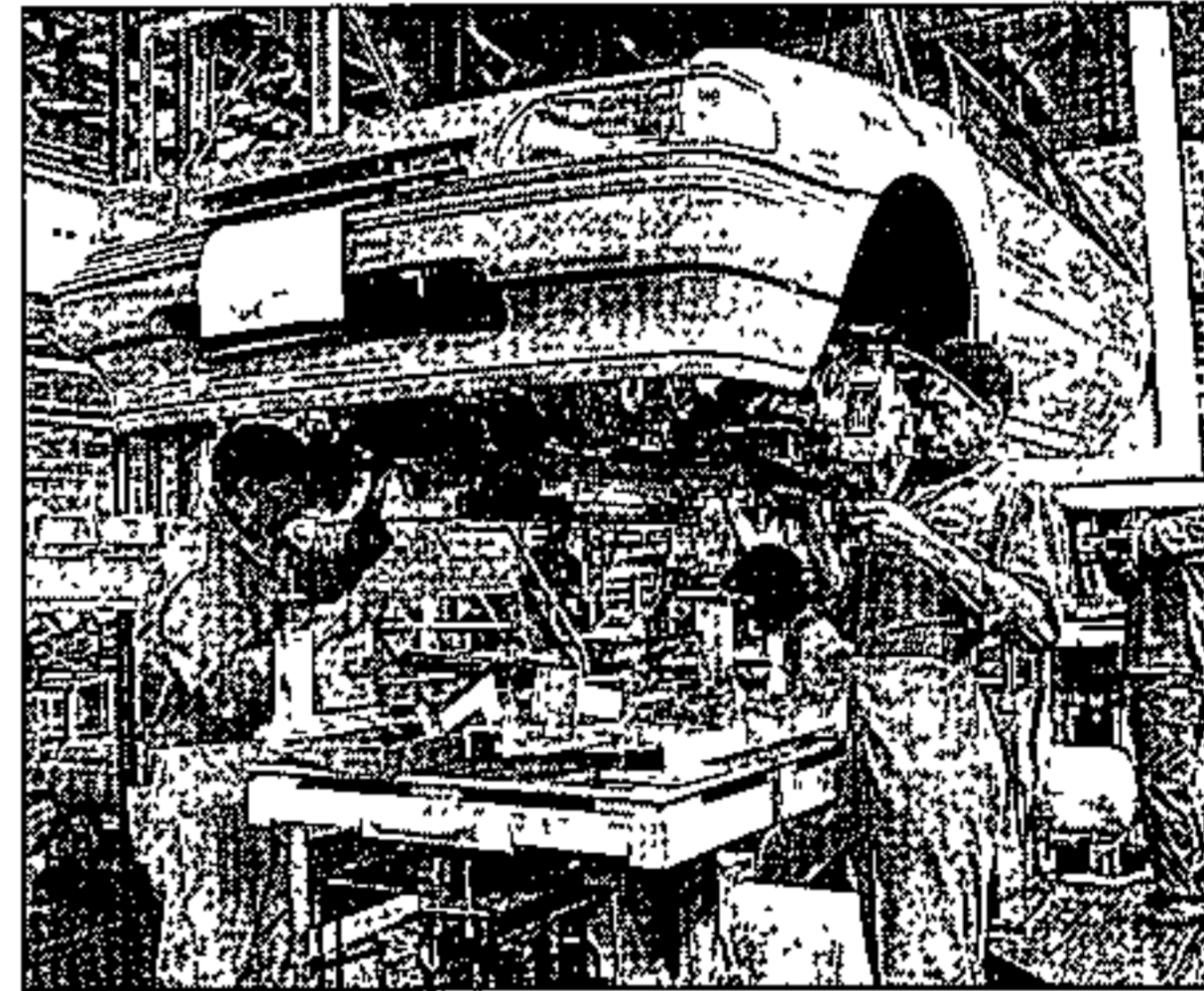
According to Herbertson: "Anglo has always had a strategic objective to reinstate Ford as a partner in the business and Ford has been asked to reassess the possibility."

Fm 22/4/94

Herbertson says he would welcome Ford participation in Samcor's management. But how much? According to an Amic insider: "Amic wants Ford to manage the company. We're not talking of a complete management takeover but a couple of key positions." He says Ford is unlikely to bite unless it's offered effective management control.

Herbertson hopes not. He is keen for the current management team to be given the chance to "prove we can run the company as well as anyone in the world." (62)

He says the company is financially stable and no longer a drain on its shareholders. Despite some misjudged marketing forecasts, the company's products are selling well — at least, those that are available. Once Samcor can plug a couple of gaps in its product line up — notably for a strong car contender in the R40 000-R65 000 range,

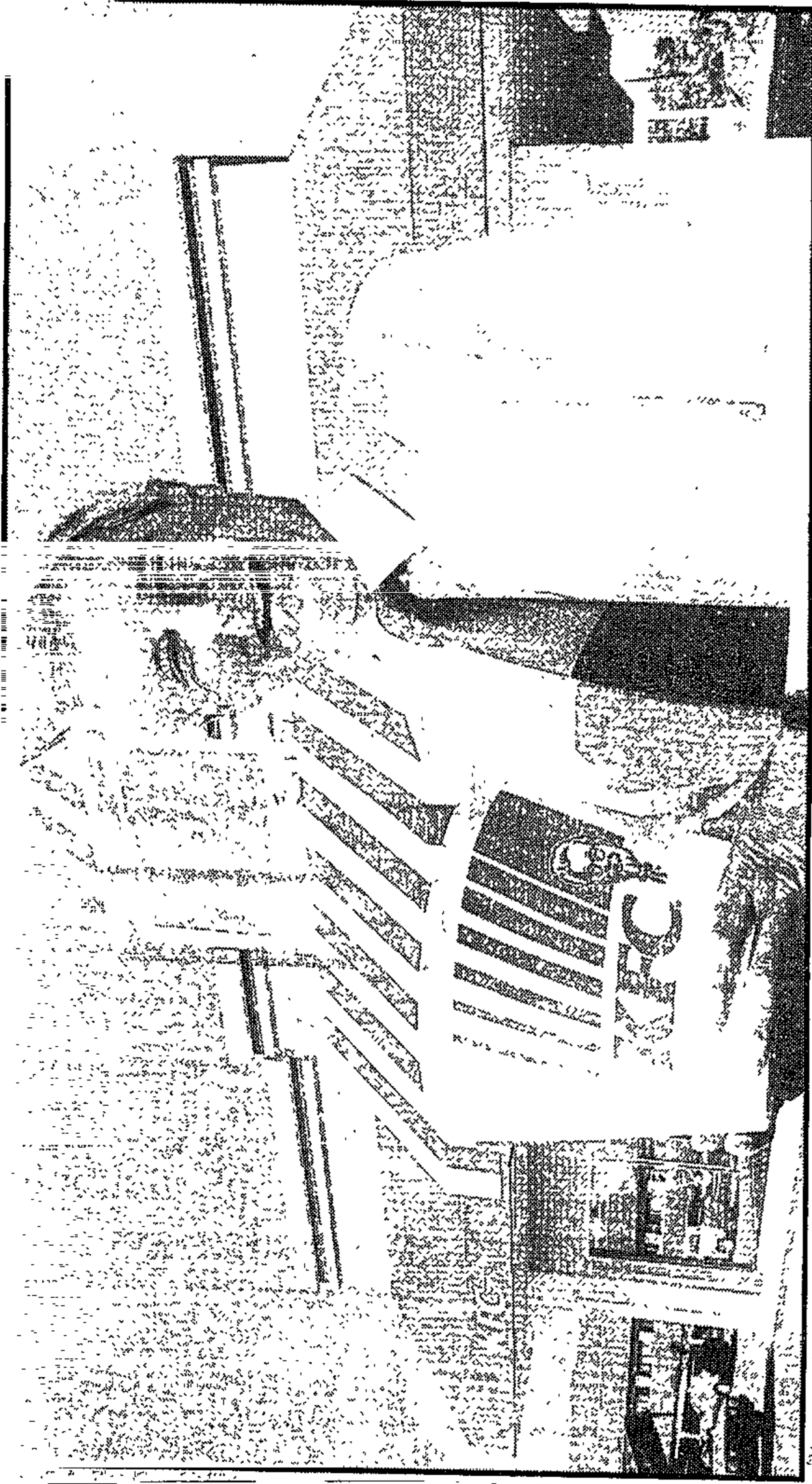


Ford ... back in the driver's seat at Samcor?

and for a good diesel bakkie — Herbertson believes it will be in even better shape.

Despite his confidence, the fact remains that Samcor's image, and that of its products, remain clouded. Amic insists the perceptions are unfair but Samcor has found it hard to shake off doubts about its viability. Amic apparently hopes that the direct support of one of the world's most successful car-makers will help change that.

If Ford does take up the offer of renewed investment, that will almost certainly end any prospect of Mazda taking a stake of its own. While sanctions precluded Ford from returning, Amic had hoped Mazda might buy some equity in Samcor. Participation by Ford, which owns 25% of Mazda, would negate the need for Japanese investment. ■



BIG APPETITE . . . Devco's Howard Allenberg, who foresees further growth for Kentucky Fried Chicken's outlets in SA

# Franchiser to spread its wings

By DON ROBERTSON

KENTUCKY Fried Chicken International (KFC) is poised to buy back its 277 outlets in South Africa.

When the US group disinvested from SA in 1988, it left 165 franchise outlets, 56 owned directly. The total franchise operation was taken over by five businessmen who established Devco to oversee the business.

KFC is a subsidiary of PepsiCo, which intends to resume its bottling business in SA.

Devco marketing director Howard Allenberg says: "I am confident they will return in the next few months."

"There is a 'window' in their contract with a time frame which allows them to buy back into SA."

"The next opening in terms of the contract is in July."

"Last year, Bob Bothwell, president of KFC in Australia, New Zealand and South Africa, said it was the intention

largest outside the US after Japan, Australia and Canada.

Devco plans another 25 outlets this year at a cost of about R20-million. But Mr Allenberg says Devco does not have sufficient funds to develop the chain to its fullest.

KFC's return will come at a time when the SA arm is making record profits. In the week over Easter, KFC had a record turnover of R11-million.

Turnover was R480-million last year.

KFC serves about 750 000 customers a week in SA and they eat about 300 000 chickens.

The company is introducing a barbeque-type product prepared in a convection oven. Since its introduction in Australia, it has captured about 35% of the market. KFC hopes it will help to counter competition from Nando's Chicken.

to return to SA. 2414194  
 "Although they operate independently, KFC tends to track PepsiCo. It is likely that KFC will buy out Devco and the store base and then build on that."

"On a recent visit to SA, KFC president John Cranor said there was sufficient potential to accommodate about 600 outlets."

In the two years after the US group quit SA in 1988, Devco played only a "functional role". In 1990 it was given the go ahead to develop the chain.

In the following two years 75 stores were opened, more than in the previous eight. Some were in Botswana, Namibia, Mauritius, Swaziland, Lesotho and Zimbabwe.

The SA operation is now the fourth

# Row erupts as workers demand trust money

By DAWN BARKHUIZEN

A ROW has erupted over a multi-million community trust fund established by the Ford Motor Company when it pulled out of South Africa eight years ago.

A group representing more than 2 000 workers, who were retrenched when the motoring giant disinvested, are demanding an investigation and audit of the Algoa Bay Charitable Trust chaired by Port Elizabeth churchman, the Rev Mcebisi Xundu.

The former workers claim they have been trying in vain to get benefits from the fund since 1987.

With new trustees in control, they fear the fund will be liquidated after a change in government.

However, the trustees said misconceptions about the objectives of the trust had led to the controversy.

They said beneficiaries had to be charitable, educational or ecclesiastical institutions of a public character.

Unemployed workers did not fall into any of these categories.

But the former workers,

*S1 Times*  
most of whom still cannot find jobs, say attempts to investigate the fund have been blocked and repeated applications for assistance have been turned down.

They are demanding access to the accounts and have threatened to take legal action to obtain minutes of trust meetings.

Ford's initial donation of R8,9-million now stands at R11,9-million and it is administered solely by South African trustees.

Attempts to get comment from the Ford headquarters in Canada this week were fruitless.

Until last year the fund was held in trust by two attorneys and Idasa director Alex Boraine. Its earnings were distributed by the Port Elizabeth Community Chest.

New trustees, including Mr Xundu and advocate Fikile Bam, have been appointed and they intend making the allocations themselves.

Mr Edries Sirkhotte, a spokesman for the former workers, said the severance packages they

24/4/94  
received when Ford pulled out were "appalling".

He said every time a meeting was held with trustees, the workers were given new conditions which they had to meet — but they were still refused any money.

Last Sunday the former workers marched on Mr Xundu's church to protest.

In a statement Mr Xundu said the trust kept proper records, had its books audited each year by an established firm of accountants and was accountable to the Master of the Supreme Court.

"The misconception about the objectives of the trust has unfortunately led to unrealistic expectations and public controversy," said Mr Xundu. (62)

A spokesman for the trust said on Friday a cheque for R2-million was on its way from the Johannesburg investors for distribution this year.

The money would be banked until the trustees had assessed applicants and made allocations in July this year, the spokesman said.

**Sullivan**

**wants** (2)

**firms** DT 28 11/94

**back**

**in SA**

NEW YORK. — Leon Sullivan, the Philadelphia minister whose so-called Sullivan Principles for years urged companies to help end apartheid in South Africa, urged them yesterday to return to the new democracy and promote affirmative action.

Until now, companies with extensive SA investments were threatened with boycotts by state governments, cities, investment funds, schools and consumers, and the threat was largely effective.

"We are supporting the need for economic infusion," said Sullivan, a former board member of the General Motors Corp said in an interview.

"But we want to be sure that as far as US companies are concerned, political apartheid doesn't become economic apartheid, that support continues in particular for education. The SA government does not have enough resources to do this alone."

Pillsbury Co and a few other companies have already endorsed Sullivan's new 10-point code, unveiled in late March.

Wordperfect, the software company that set up a branch in Cape Town last year, will sign on, a company official said.

At least 20 state and city governments, including Vermont, Oregon, Philadelphia, Atlanta and Mobile, Ala., have also endorsed the new code.

More than 500 companies and 120 colleges will be mailed letters by the end of this week, part of an aggressive campaign urging them to sign on to Sullivan's new principles.

The first letters to 4 500 elected officials will be sent next week.

Companies and colleges are being asked to support scholarships, apprenticeships and other training programmes in South Africa.

To monitor the performance of the signatories, Sullivan has formed a corporate social responsibility leadership council made up of political and business leaders.

Sullivan's latest code grew out of an appeal made by Nelson Mandela last October in Washington to end sanctions, free up investments and urge US companies to return to South Africa.

PEPSI-COLA

Em 29/4/94

102

## Let the cola war begin

After several years of rumours, Pepsi-Cola may finally announce its return to SA in early June and begin offering Coca-Cola some serious competition. Recently formed New Age Beverages is believed to have secured exclusive franchise rights to make and distribute Pepsi in the Transvaal and chief operating officer-designate Monwabisi Fandeso indicates that he'll be ready to talk about the cool drink deal next month.

The stumbling block has been Pepsi's desire to get local financing rather than risk its own money, says Ed Hern Rudolph analyst Sidney Vianello. Even local conglomerates such as Rembrandt and Foodcorp get a big lump in the throat when they hear the figure needed to distribute on a scale to rival Coke — R1,5bn just to get going in the PWV, Vianello estimates. "Local financiers said to Pepsi: 'Listen, you want us to get your product into this country but you want to take zero risk yourself.'"

Pepsi's start-up costs could be even higher according to Mike Bind, marketing director of Coke's major bottler, Amalgamated Beverage Industries. Delivery trucks cost about R400 000 each, he points out; those little coolers at petrol stations and cafes cost about R5 500 (Coke has 30 000 in the PWV alone); and Pepsi would have to build expensive new bottling plants (since most local bottlers have exclusive contracts with Coke) to produce returnable 1/ glass bottles, the major seller in the SA market.

Pepsi has been scouting industrial sites in the PWV. Johannesburg commerce & industry director Collin Wright says Pepsi has made "widespread investigations over the past year-and-a-half."

It has also been looking for local bottlers. Natal-based Ambev, the largest supplier of house-brand colas, is "in regular contact" with Pepsi, according to MD Bernard Hack. He says that in the past 11 months, Ambev has supplied 1,4m cases of 2/ bottles and could certainly serve the Natal Pepsi market and perhaps also Cape Town's (Ambev has just built a new plant there) but not the national market. "We consider ourselves a regional player."

In other parts of the world, Pepsi recently announced a series of joint ventures with established local bottlers. It went back into Vietnam in February, after the US ended a 19-year trade embargo, and started producing cool drinks out of the International Beverage Co plant in Ho Chi Minh City. It plans to build 10 plants in China over the next five years, all of which will be joint ventures with local government subsidiaries and will cost a total of US\$350m. In July Pepsi announced it would buy out its Indian partner, Bombay-based Voltas Ltd, in a large-scale food and beverage joint venture. It also announced plans for a joint venture in Madras with Indian Organic Chemicals to produce and export resin used in manufacturing plastic

beverage packaging.

But it's still not clear how Pepsi will return to the local market. Or what Coke and the house brands — Makro's American Cola, Pick 'n Pay's Choice Cola and Pepkor/Checkers' Regular Cola, for instance — will do about it. National Beverage Services (NatBev)'s Peter Laycock, new marketing operations director of Coca-Cola's franchisor here, says NatBev hasn't been making any extra marketing preparations to counter Pepsi's return. "We try new promotions every year."

But the array of customer- and image-orientated promotions that NatBev has undertaken in the past two years is conspicuous: a toll-free customer service telephone number on all Coke cans; a recycling symbol pictured on cans to publicise its recycling efforts; the phasing out of the throw-away flip tops on cans, a picture of the old-style Coca-Cola bottle on cans; a new 250 ml "buddy bottle"; and the introduction of Cherry Coke, to name a few.

Pick 'n Pay deputy MD Sean Summers says he's not preparing for competition from Pepsi. "We're not in the cola business. We are retailers. We are seeking (with Choice Cola) to differentiate our business from other retailers' in our market." Like Coke, he adds, Pepsi's major market would be cafes and informal sector outlets, not chain stores such as Pick 'n Pay. Still, another competitor for Coke would grow the cool drink market, Summers says, and that can only benefit the house brands.

Mark Lamberti, CE of Makro holding company Massmart, says: "If it (the return of Pepsi) helps to sever customers' loyalty to Coke, they might be more likely to try a house brand."

# Top US names on SA shelves soon

STimes 8/5/94  
(BUS)

By ZILLA EFRAT

H J HEINZ is the latest American company to confirm that it is considering investment in South Africa. Another is Levi Strauss & Co, the world's largest maker of branded clothing.

And to sweeten the new South Africa, America's biggest-selling chocolates, Hershey's, could be on the shelves within the next two weeks.

Heinz chairman Tony O'Reilly said in Pittsburgh this week: "I would be very surprised if we did not make an investment in SA by the end of the year."

Heinz vice-president for corporate affairs Ted Smyth says his group hopes to form a joint venture with a food company in SA.

Heinz products, which range from baby food and soup to frozen food and tomato sauce, would be made in SA. The SA group's products would be marketed in Europe, the Far East and possibly the US.

Mr. Smyth says the capital investment would be "mid-sized" in Heinz terms, although it could be large by SA norms.

The name of the SA food company has not been disclosed. However, Irvin & Johnson and Tiger Oats are among the likely contenders. Both companies de-

clined to comment.

Heinz originally looked like getting into bed with Foodcorp, but called off the deal in 1992 because of slow political progress in SA. Foodcorp has since done a deal with another US company, Pillsbury.

Heinz, the world's largest processor of tomatoes, employs 40 000 people and sells its products in more than 200 countries.

It is involved in a joint venture with the Zimbabwean government, producing vegetable oil, canned food and soap.

Mr Smyth says: "We see Southern Africa as a market that will grow and develop."

Heinz products were available in SA until 1961 when high tariffs put them out of reach of most customers. They have since been imported on a small scale by Cape-based M&L Distributors.

Levi Strauss is conducting a study of opportunities in SA.

Levi Strauss corporate relations manager John Pachtner says the study was initiated after Mr Mandela's call for the lifting of sanctions last year and follows positive developments in South Africa.

"A joint venture or wholly

owned subsidiary are two of the investment possibilities."

Mr Paechtner believes a decision could be made in the next 12 months.

The business analysis is being conducted by Levi's Geneva arm. It develops business in Eastern Europe, Africa and the Middle East.

A Levi Strauss task force reviewed moral and human issues in SA last year.

The jean and casual wear manufacturer quit SA in the mid-1970s. But pirated Levi Strauss products and genuine goods from elsewhere have been available in SA.

US telecommunications firm AT&T has lifted its restrictions on doing business with SA.

Spokesman Andrew Myers says: "We are free to explore opportunities around the world, including South Africa."

Cape-based importer J Melnick & Co will distribute Hershey's chocolates.

Its group marketing manager, Glenn Gillis, says: "Hershey's is established in 60 other countries."

"It is time South Africans got their share, even though we have to pay a premium because duties and surcharges for chocolates are 10 times higher than for those entering America."

The chocolates will carry a surcharge of 40% and duty

of 27,5%. They will retail at more than R3 a bar. Without these taxes, they would cost about R2, says Mr Gillis.

Nonetheless, he believes there is a niche market for Hershey's eight products in South Africa.

Americans favour a slightly bitter taste in their chocolate. But Hershey's has recognised that the international market prefers a creamier and slightly sweeter taste. It has reformulated its chocolates accordingly.

Mr Gillis says all products available in SA will be "extra creamy" and will have a different taste to the US versions.

Hershey's, which this year celebrates its centenary, was founded in a town in Dauphin County, Pennsylvania, which has now adopted the name Hershey.

Hershey's is one of the 10 most valuable brands in America.

Mr Gillis says Hershey's looked at the SA market for about two years. It will provide J Melnick with technical and market support to enable it to improve its distribution.

Among the lines distributed by J Melnick, established in 1902, are Chupa Chups lollipops from Spain, Campbell's products and Lawrys spices from the US.



CHARLES PROUDFOOT ... preparing for some aggressive marketing

## Apple back for SA pickings

*S Times (Buss)*

By GREG GORDON

APPLE Computer officially returned to the South African market this week after a 10-year absence.

Its long-term goal is to lift its market share from between 1% and 2% to its worldwide average of about 12%.

Charles Proudfoot, general manager of Apple Computer, SA subsidiary of the California-based company, says his mission is to increase the base of about 50 dealers to 150.

"We will market aggressively to three sectors — desktop publishing (DTP), education and companies.

"Historically, the Apple Mac has held a prominent position in SA's DTP market. A problem we have to contend with is the view that this is the only function our machines perform.

"Globally, Apple holds about 30% of the education market, the largest share held by any company. In the US, we have two-thirds of this market.

"New technology revolving around the Power PC chip, which is compatible with existing DOS and Windows applications,

will be the key to capturing business in this sector." *815194*

Apple pulled out of South Africa in 1985. IBM also withdrew, but became ISM and continued trading. Apple left and the gap was filled by grey marketers — companies which bought its products elsewhere.

Mr Proudfoot says: "The grey market element will disappear. We are taking dealers into our fold through our distributor partners Venture Computer and HNR Computers." *(62)*

Apple will create 10 jobs directly, but indirect employment opportunities are difficult to quantify.

"Potential job creation exists because we will train sales and support staff to back up the products we sell. Users of our products will want to see a tangible benefit of our being in South Africa and this is possible only through sales and service structures which will have to be staffed."



# Big Mac ready to fry in SA

SI Times (BUS)

By DON ROBERTSON

HAMBURGER chain McDonald's is due to announce "within weeks" its plan to enter South Africa's fast-food market, say attorneys for the group.

McDonald's entry has been anticipated by Irvin & Johnson, which has built a chip-processing plant at Delmas, about 70km from Johannesburg, which meets McDonald's strict standards.

I&J marketing director Roy Gordon says the R47-million investment means the plant is "McDonald's-compatible".

"When we were working on a plant design 18 months ago, we consulted McDonald's technical staff as well as a company in the Netherlands which builds chip plants for it. Our plant is probably the most mod-

ern in the world."

The plant cuts, par-fries, freezes and packs chips for a variety of customers, including Kentucky Fried Chicken. Production can be increased (288) (62)

McDonald's paved the way for its SA entry last September when it won a dispute with Chicken Licken franchise owner George Somonos, who had registered names used by McDonald's.

In March, two executives from McDonald's visited SA. Senior vice-president Jim Skinner said: "We are here to look around and talk to business and social leaders."

# Chrysler to sell Jeeps in SA

From TREVOR BISSEKER

JOHANNESBURG. — Chrysler Corporation plans to sell Jeeps in SA in a joint venture with a local manufacturer and a black business group which could create up to 3 400 jobs. CT 13/5/94

Chrysler vice-president Leroy Richie, in SA earlier this week for the presidential inauguration, said: "We want to get involved and plan to take a 30% stake in a company which will be formed especially for the purpose. Our only hesitation is unhappiness with the phase seven proposals in the motor industry local content programme. We feel they will harm the small player and cost the country jobs."

The phase seven proposals, designed to promote exports and force manufacturers to stop producing low-volume vehicles, would allow limited imports to replace models no longer manufactured in SA.

The Chrysler plan, which Richie said was "about 14 months down the line", was to import Jeeps from the Toledo, Ohio, factory in knocked-down form for assembly in SA. "That way we would still get economies of scale and be able to create jobs here." It is not known where an assembly plant would be sited.

Chrysler would take 30% of the new company. The partners would be a local manufacturer "with a paint shop" (30%), a consortium of black businessmen (30%) and employees (10%). The consortium would help establish black entrepreneurs as component manufacturers, making items such as steering wheels and glass parts for the Jeeps.

# Anglo's welcome mat out for Ford

5 Times (BUS)

By DON ROBERTSON

ANGLO American is keen for Ford of America to return and take a major role in running Samcor, maker of Mazda, Ford and Mitsubishi vehicles.

Anglo has asked Ford to have a new look at the SA market with a view to buying a direct interest in Samcor, says a spokesman.

Ford is said to be assessing the possibility, but is studying likely economic developments in SA, labour stability, inflationary expectations, protection policies and Government

influence on the motor trade.

Ford is also interested in which direction interest rates might move.

Samcor would welcome Ford's return, says managing director Robert Herbertson. 1515194

Ford withdrew in 1987 for political reasons. Its interest was held through Ford Canada, which sold 26% of its stake in Samcor to Anglo American Industrial Corporation and estab-

lished an employee trust with the remaining 24%.

The trust money was earmarked for for community development.

Although Samcor assembles three major marques, its market share has seldom reached full potential, mostly taking third spot in sales (62)

A Ford return would bring in US or European technology and could open up export markets.

For many years, Samcor's technology has come from Mazda in Japan.

# A golden franchise opportunity

Star 2015/194

## ■ BUSINESS STAFF

An exciting new franchise opportunity — one with 1 000 outlets up and running in the US — has arrived in SA.

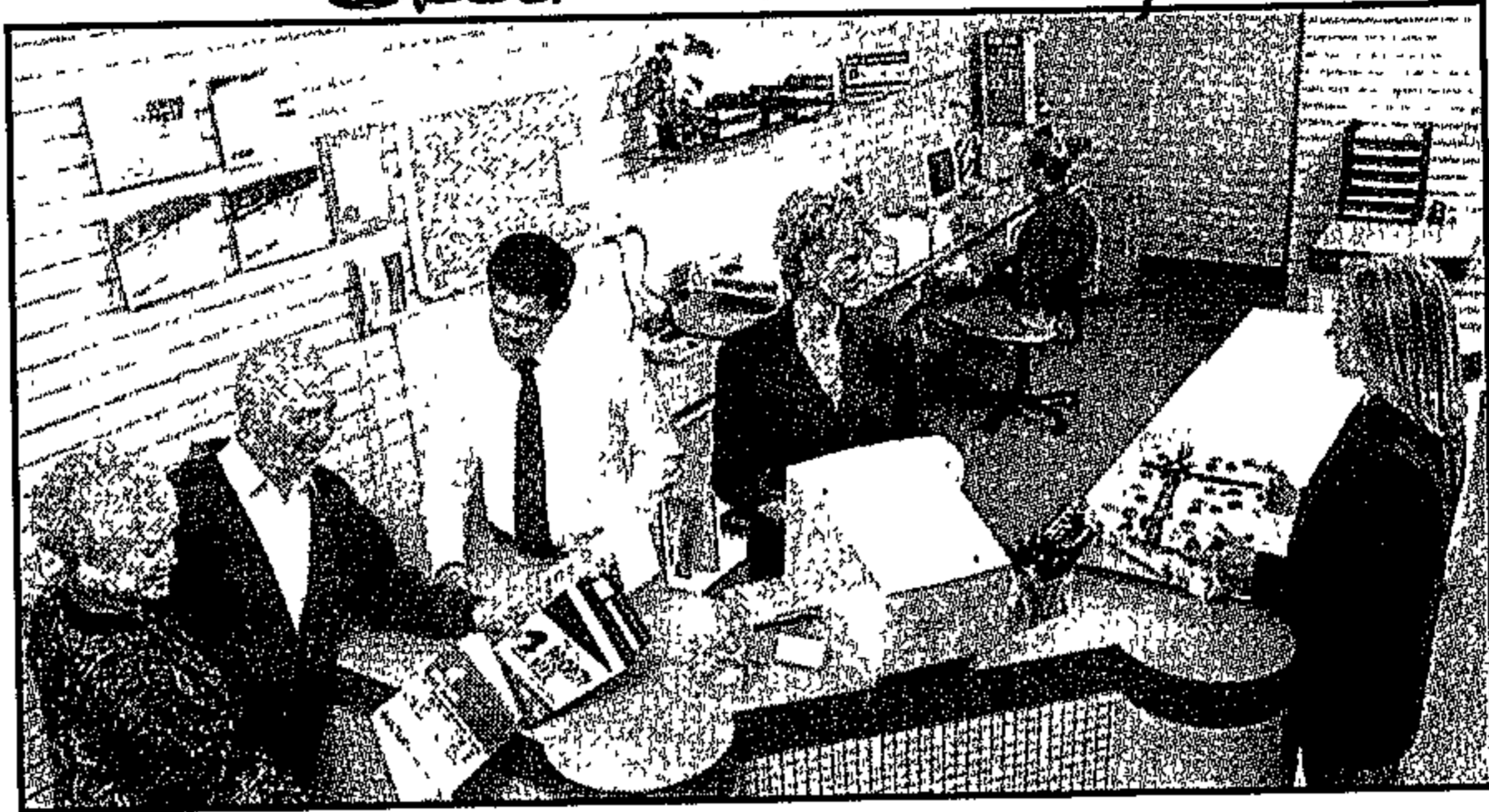
PostNet Postal and Business Centres offer parcel shipping, mailing services, air express, private mailbox rentals, fax services, passport photos, key duplication, photocopying and printing services.

## Launch

Steven Greenbaum, president of the Las Vegas-based group, is in SA to oversee the launch of the network.

"The first outlet — in Benmore Gardens — is already operational. We've signed 12 franchise agreements and expect to have at least 25 in operation by the end of the year," he says.

"PostNet was started in the US 12 years ago. Our success rate is 98 percent, versus 15 percent among people start-



The scene in a typical PostNet outlet.

ing their own businesses."

At R200 000, the franchise isn't cheap. However, Greenbaum says that several attractive financing options are available, especially to qualifying blacks.

"We have arranged for US-sourced loans to help finance black franchisees. We have a high level of awareness of the

need to assist with black economic empowerment."

The PostNet licence for SA is held by Surefire Corp — tel (021) 758925 or fax (021) 758926.

Surefire's Chris Dunn says: "Although the Post Office is in the throes of privatisation, the vast expansion of postal services needed over the next 10 years cannot possibly be met by conventional means.

"It has been conservatively estimated that, in addition to the existing 1 700 post offices countrywide, an extra 2 000 will be required to meet future needs. (b2)

"Franchised PostNet service centres are the answer. We are ready to provide motivated entrepreneurs with the means of capturing this wave of opportunity."

# Pepsi Cola hits comeback trail



Khehla Mthembu, chairman of New Age Beverages, and James Lawrence, president of Pepsi Cola International.

Star 7/16/94

■ BY THABO LSHILO

Pepsi Cola International yesterday announced its return to South Africa's R3 billion soft drink market, ending years of speculation.

Initially, more than R400 million will be pumped into the local economy over four years and more than 3 000 jobs created.

The company has formed a local bottling joint venture called New Age Beverages (Natbev), in which blacks will be the majority shareholders by the end of the decade.

The announcement was made in Johannesburg by Pepsi Cola executives James Lawrence and Robert Walker.

Lawrence said Egoli Beverages LP, an American partnership incorporating African-American investors, would own 75 percent of Natbev and Pepsi-Cola 25 percent.

Former Azapo president and former African General Insurance company managing director Khehla Mthembu has been appointed chairman and chief executive of Natbev.

Monwabisi Fandeso, formerly with National Sorghum Breweries, is president and chief operations officer.

Mthembu said the economic status of black people in South Africa was such that money for

the venture could not be raised locally.

Lawrence said Natbev would initially produce and distribute a range of products including Pepsi-Cola, Diet-Pepsi, 7 UP and Miranda Orange in the PWV province towards the end of the year.

The news of Pepsi's return was welcomed as a wonderful stimulus for competition by Amalgamated Beverages Industries (ABI), the local producer of Pepsi's main rival Coca Cola. (620-432)

ABI marketing director Michael Bind said the move had been expected for some time and was "unlikely to change the character of the soft drink market in South Africa to any large degree".

He said: "The market in SA is very competitive. Already, there are seven different alternative colas.

"Our company believes in the free market. Competition is healthy and stimulates consumer interest and overall growth. If the return means that sort of stimulus, that will be wonderful. But time will tell."

Given its strong brands, ABI had no reason to fear Pepsi's re-entry, he said, pointing out that Pepsi products had been available in South Africa for some time.

# Pepsi back in SA market



62

CF 7/6/94

Own Correspondent

**JOHANNESBURG.** — Pepsi-Cola was tight-lipped yesterday about the size of its SA investment, but sources said its successful entry into the competitive soft drink market would require an investment significantly larger than the \$20m that had been bandied about.

Pepsi, which disinvested in 1985, announced a bottling joint venture in which black investors would hold a majority stake. Distribution of products, including Pepsi-Cola, Diet Pepsi, 7 UP and Miranda orange, would start by the year-end.

Distribution would be in the Transvaal, which accounted for half of the 275-million cases of soft drinks sold in SA each year.

Joint venture company, New Age Beverages (NAB), will initially be 75% held by Egoli Beverages — a US-based partnership that includes African-American investors, and 25% held by PepsiCo. Egoli has been formed by Ian Wilson, who spent 25 years with Coca-Cola.

Kehla Mthembu — formerly MD of African General Insurance — has been appointed chairman and CE of NAB. Monwabisi Fandeso — who has held senior positions in SA Breweries and National Sorghum Breweries — has been appointed president and chief operating officer.

Pepsi wants South Africans to own a majority stake in NAB by 2000.

Reuter reports that Wilson said: "We're looking, over time, at an investment in excess of \$100m."

# Battle for Natal capital hots up

*Sowetan 8/6/94*  
**NEEDED BOOST** Development would shift north if Ulundi is capital says council:

## Sowetan Correspondent

**T**HE SHIFTING of the provincial capital from Maritzburg to Ulundi would give a valuable boost to the northeastern part of KwaZulu-Natal, the Ulundi Town Council has said.

The council said in a statement issued on Monday that the northeastern part of the province had been bypassed for decades, while development went elsewhere. *(Sowetan)*

The rivalry between Maritzburg and the former homeland power base has become an emotionally charged affair.

"The Durban, Pinetown, Maritzburg axis is saturated with development," it said. "It is time the part north of the Tugela River also benefits from development programmes."

The council said that if the Government's reconstruction and development programme was to be meaningful to the deprived majority, future investment would have to be directed away from these "saturated" centres.

It attacked the Natal Agricultural Union for

describing suggestions that Ulundi be the capital as "ridiculous and extravagant". The union's description of Ulundi as a "backwater" smacked of racism, said the council. "One cannot escape thinking that the NAU is opposed to Ulundi being the capital on the grounds that it is predominantly black, as opposed to Maritzburg which is predominantly white."

The council said it was "laughable" to describe Ulundi as "remote". It said Ulundi had an "adequately equipped" airport, and was only five hours' drive from the PWV, two hours from Durban and one hour from Richards Bay.

The rightwing Freedom Front has also thrown its weight behind Ulundi, and five ruling Inkatha Freedom Party ministers have decided to govern from there.

But the IFP's opponents, the African National Congress and the National Party, have registered their opposition to Ulundi as a capital.

The NP has recommended a representative, broad-based committee be established to investigate and recommend which would be the most suitable capital.

# Pepsi ready to return to South Africa

*Sowetan*  
By Mzimkulu Malunga

BLACK business people are going to play a leading role in an estimated R100 million investment by Pepsi-Cola when the company returns to South Africa in a few months time.

The American beverage giant disinvested from South Africa in 1985 in the heat of the sanctions campaign aimed at isolating this country because of its apartheid policies. *8/6/94*

"Our absence from South Africa for almost a decade has given us a chance to restructure ourselves so that we can fit in with the new developments in the country and start on a clean sheet," said Pepsi's Africa, Middle East and Asia president, Mr James Lawrence.

## Joint venture

Pepsi's return to South Africa is going to happen through a joint venture with consortiums of black business people both here and in the United States. *(62)*

A locally managed black-owned company, New Age Beverages, will have exclusive rights to manufacture and distribute Pepsi's products in what used to be the Transvaal.

NAB plans to launch in approximately two months time.

Pepsi will own a 25 percent stake in NAB, while the two black consortiums, comprising local and US-based business people, will own 75 percent of the company.

PEPSI-COLA

Fm 10/6/94

# Let the cola wars begin

**Pepsi-Cola** slipped quietly back into the country this week to end its nine-year sanctions-induced absence and four years of rumours about its return. There was none of the fanfare you'd expect from the archrival of mammoth Coca-Cola and the biggest foreign investor in SA since sanctions were lifted. "We're trying to get more Pepsi on the shelves than in the newspapers," is all Khethla Mthembu, CE of New Age Beverages, a joint venture with Pepsi-Cola International, says about that at the moment.

He adds that there will be no war with Coke, but talk like that just heightens the drama of Pepsi's return here to bring its worldwide fight with Coke to yet another battlefield. Leading the siege against Coke, and its 75% local market share for its entire product range, is a former Coca-Cola vice-chairman: SA-born Ian Wilson, who still wears his 25-year Coca-Cola watch.

Pepsi is also mounting its assault with the former group distribution manager for Coke's SA bottler, Amalgamated Beverage Industries (ABI), Bruce Bennett, who will be New Age's director of distribution and logistics. Another fillip in the drama: Wilson, who lives in America but has a daughter and grandchildren here, is Nicholas Oppenheimer's brother-in-law, which has raised speculation that there's Anglo American money involved in the Pepsi deal. "Nicky and I are married to sisters, but we have no business relationship," Wilson says, adding that the money is coming almost entirely from black, or African-American, investors in the US. Wilson is the only white investor but he's also an African-American, he laughs, and then rattles off some fluent Zulu.

Last year Wilson, whom *The Wall Street Journal* reports was "ousted" from Coca-Cola in 1982 in a "succession mess," formed a partnership in the US called Egoli Beverages LP, whose investors will at first own 75% of New Age while Pepsi will own the other 25%. He and Washington DC, Pepsi-Cola Bottling Co CE Earl Graves, who is also publisher of the US's *Black Enterprise* magazine, will be the major partners.

Eventually, under the plan, South Africans will buy at least a majority stake in New Age. Mthembu is now putting together

a consortium of black investors here for that purpose, though ultimately ownership will be open to everyone, he says. The investor group will be called Kuyasa — "it is dawning." Says Mthembu: "We can assure you it is not going to be comprised of the usual people."

They'd better be unusual, to put up the kind of money needed to take on Coke. "The only way you crack a carbonated soft-drink market is to put your product in dedicated coolers in every nook and cranny," says Ed Hern Rudolph analyst Sid Vianello. "You've got to get the product to the people and it's got to be cold. It's incredibly expensive to distribute. Frightfully expensive."

Pepsi's planned investment is reported to be about R100m, and Vianello says Pepsi "will want to get the same distribution in the same areas covered by ABI." Says ABI marketing director Mike Bind: "Most of the red-and-white Coke-decorated coolers are owned by us and placed with our customers on free loan. They are exclusively for chilling our own

products. But there's no exclusive agreement whereby other dealers could not place their own coolers. When Pepsi was still around, you'd go to a local cafe and there would be a couple of Coke coolers and a Pepsi cooler." Right now there's 30 000 of those Coke coolers in the PWV alone (*Business* April 29).

Pepsi has been on the shelves here all along, but only in limited quantities supplied mainly out of Namibia. The full-fledged attack, with Pepsi ads and Pepsi cans everywhere, should begin around the end of the year in the PWV.

There's more intrigue in this deal than just big money, big corporations and big personalities. The worldwide cola war, with Coke and Pepsi slugging it out in countries as diverse as the US, China and India, is dramatic enough, but the politics here add another dimension. Wilson says he discussed the vehicle for Pepsi's return with First Deputy President Thabo Mbeki, but insists: "We didn't clear it with the ANC, we asked for their advice. We've got one shot at this. We want to get it right. I talked to lawyers, accountants, anybody I could find."

So now is Coke thinking more seriously about returning? Despite all the Coke on the shelves, the Atlanta-based Coca-Cola Co divested completely in 1986 by selling the local

operation. Its corporate media relations department still circulates old letters of praise from Bishop Desmond Tutu. Now, with consumers pointing to the local operation's quality-control problems with flat Coke, leaky cans and sticky bottles, Atlanta is expected to take over the reins again.

"We're continuing to evaluate our options for re-entry," says spokesman Mark Preisinger in Atlanta. What about the complaints at supermarkets and cafes? He simply points out that master franchiser National Beverage Services has been "independent" of the Coca-Cola Co since 1986.

Just how is the war going around the world? Preisinger reports that Coca-Cola Co profits in the international soft-drink business are a whopping 16 times greater than Pepsi's — US\$2,7bn last year outside the US. Pepsi has 18% of the non-US carbonated soft-drink market; Coke has 47%.

## Growing faster

But Pepsi's Ken Ross in New York says: "We've got the momentum, we're growing faster than the soft-drink market as a whole and, in three out of the last four years, we've grown faster than our nearest competitor."

Like New Age and Pepsi officials here, Ross declines to give any details as to how Pepsi will compete with Coke, save for "we're going to be a little bit quicker, a little bit sharper, and a little bit more innovative than the other guy." But that's what NatBev is saying here, too. Marketing operations director Peter Laycock says for the moment it's "business as usual," continuing with the "aggressive plans" that Coke's been carrying out all along and "doing our best to satisfy our customers. We have other competition besides Pepsi. We see all commercial beverages as competition. This is just another."

Among those other competitors are the house cola brands from retailers such as Woolworths, Pick 'n Pay and Makro, which for the most part don't compete directly against Coke. They stick mainly to the big retail chains, shunning advertising and trading on the store name and reputation. "We're just looking for price differentiation," says the CE of Makro holding company Massmart, Mark Lamberti. And if the return of Pepsi puts downward pressure on the price of Coke, "we've got lots of room," to come down, too.

Ask just about any of these players for a last word on the war and they'll talk about healthy competition and more consumer awareness growing the market and benefiting everyone. As for Wilson, he quotes Coke's legendary former president Robert Woodruff: "If Pepsi hadn't been around, I'd have had to invent them." *Nancy Seljas*



(62) (132)



## NIKE vs REEBOK

### A really big shoe

When Alberto Salazar crossed the finish line at last week's Comrades Marathon, his vest emblazoned with the familiar Nike swoosh, one of the happiest people around was David Hirschowitz.

As the joint MD of Odyssey Sports, which distributes Nike merchandise in SA, Hirschowitz knew he had scored the first blow in the battle of the returning US sport-shoe companies. And it didn't hurt that the top two women finishers also sported Nike swooshes on the victory platform. "Alberto (who is the marketing manager for Nike's parent in Oregon) did so much for us," Hirschowitz says. "You can't buy an ad like that. It creates massive brand awareness."

Not so fast, say the folks at Massachusetts-based Reebok, which is second only to Nike in worldwide sales. Reebok SA MD Mike Clarke says that while Salazar's win was a big boost for Nike, he points to a poll his company conducted after the Comrades, which showed that most respondents were unaware of Salazar's sponsor. In fact, he says Reebok's dozen commercials during the telecast did a lot more to influence consumers. Of course, Reebok will be the first to crow if its team member, Elana Meyer, wins in the next Olympics.

"I think there is going to be a marketing war," Hirschowitz says. "And the others will have to advertise too so that they won't get pounded."

Bradley Lemkus, the MD of Hi-Tec Sports SA, says he's reluctant to comment on any possible fall-out in the industry with the return of Reebok and Nike, but adds that "the law of the jungle prevails; I am pretty sure it will not be Hi-Tec (that gets eaten)."

Take cover. South Africans are about to get a taste of high-priced marketing, American style. The big two disinvested in the Eighties — though their products were always available through unofficial channels — and recently came back — Nike through a licensing agreement and Reebok through direct investment. Hirschowitz says Nike has a R3m advertising budget the first year and R14m over the first three years. Clarke won't disclose Reebok's figures.

What is bound to hurt is the high tariffs on imported sport shoes. Importers are hit with a 60% duty and a 15% surcharge on synthetic-upper shoes, such as most running shoes, which is aimed at protecting local manufacturers. And as of March, the duty on shoes with uppers made of leather and synthetic, such as court shoes, doubled from 30% to 60%, plus the 15% surcharge, though there is virtually no local manufacture of this type. The reason given for the change is that customs officials were not always able to tell

the percentage of leather and synthetic, so it was decided to place the same — high — duty on both types.

"The duty was aimed at protecting the local manufacturers against cheap imports," says Richard Santrucek, the MD of Sport-shoe, which imports and distributes Asics, including some that are made here under licence from the Japanese parent company. "But these aren't cheap imports." Indeed, the price of a fancy pair can run to R700.

Despite the penalty, Nike and Reebok still believe they can clean up. Verifiable figures for the local market are not available, but together the two giants control about 54% of the \$6bn-plus market in America, and Nike, for one, hopes to double its approximately 20% share here within two years. Standing in the way, however, are popular brands, both locally made and imported, that gained market share during the sanctions era and don't intend to give it away with a smile. "We're not a small player," Santrucek says. "At Comrades, 38% of the runners were wearing Asics, by far the biggest number. We had five of the 10 men's gold-medal winners. We're number one and we plan to stay there."

Santrucek admits, however, that his marketing budget is nowhere close to Reebok's and Nike's. "We won't compete on money. We'll let our product do the talking."

He says he's not worried about runners switching from Asics, which has less than 4% of the American market, in favour of the more glamorous names. "People who run consider their feet and their knees above fashion."

Perhaps, but Reebok and Nike are counting on their marketing muscle to convince runners that they just have to try the inflatable pump, shock absorbers or any number of hi-tech gizmos in order to save their knees and look smart doing it. And they won't just focus on running shoes; Reebok plans a major push into basketball next year. Another player in the market, Adidas SA, has already got a boost from its German parent's sponsorship of the soccer World Cup.

Reebok has taken out a five-year lease on a 220 m<sup>2</sup>, two-storey flagship store in the Carlton Centre, which will open next month. Clarke feels there are plenty of consumers, including blacks who make up most of the Carlton's shoppers, who will fork out anywhere from R225 to up to three times that price for a pair of technologically advanced trainers. Other top-end players charge about the same.

In a rare show of teamwork, the importers are banding together to fight the increase in the duty. They estimate that tariffs on similar goods in the US are less than 10%.

"It is a fact that today we have one of the highest footwear tariffs in the world," says Lemkus of Hi-Tec.

"This will affect our sportsmen in the international arena," adds Adidas SA MD Tony O'Hagan, who is also chairman of SA Sports Goods Agents and Manufacturers. "They will have to pay more." ■

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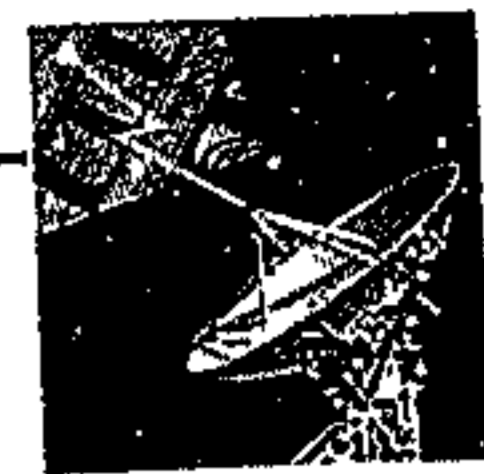
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MOTOROLA

FM 10/6/94

# Planning on a big return

The parade of American technology companies returning to SA continued last week when Motorola outlined its plans to capture a large chunk of the local telecommunications technology business. After leaving five years ago, the US\$17bn communications and electronics giant (number 23 on the *Fortune* 500) now becomes the 19th US hi-tech company to set up shop here since sanctions were lifted.

And like many of the newly arriving firms, Motorola likes SA's location. Parviz Mokhtari, the corporate vice-president and director for Europe, Middle East and Africa, says the new subsidiary — registered as Motorola Southern Africa — "is our southern gateway into the rest of Africa."

The company will work through local distributors and partners. Office space is being rented in Sandton and about 20 people will be hired. The top executives have not yet been announced.

And Mokhtari will not divulge how much the Illinois-based multinational is investing in SA, but says he will be very disappointed if the subsidiary does not reach sales of \$100m in two years. "The opportunities for our cellular phones and cellular infrastructure, two-way-radio and paging systems, data communications and computers are significant," says Motorola's president for Europe, Middle East and Africa, James Norling.

Nearly 54% of Motorola's sales are outside the US. "This shows the importance of the emerging markets, where communications are most needed," Mokhtari says. Last year, its Europe, Middle East and Africa region had sales of \$3,7bn — 22% of worldwide revenue.

With the pent-up local demand for mobile communications, Motorola has had to move fast and is already shipping huge stocks of cellular phones, two-way radios and paging systems. But the company has no plans to manufacture locally.

Eight cellular service providers — Auto-page, M-Tel, Nashua, Radiospoor Cellular, Sebcom, Teljoy Cellular, Trust Telephone Corp and Vodac — have been appointed as distributors for Motorola's cellular phones. Two more national distributors will be appointed soon.

Mike McTighe, GM for cellular in Europe, the Middle East and Africa, says that because 79 countries, including SA, have chosen the GSM standard for cellular phones, the economies of scale will help keep prices down. "We will not discriminate on pricing. The price of our phones in SA will be the same as elsewhere, barring the import duties of course. We expect savings to be passed straight to the consumer."

Motorola has not yet appointed any local distributors for its paging systems. In the two-way-radio and radio-trunking arena, however, it is likely to resurrect its relationship with Altech subsidiary Alcom (which manufactured Motorola's two-way radios under licence until 1990) and public safety organisations such as ambulance services. It will also supply equipment to trunking network operator Q-Trunk, which is jointly owned by Telkom and QD Electronics.

Its most lucrative market could be supplying Telkom. Motorola is expected to bid for Telkom's multibillion-rand supply tenders,

and industrial electronic equipment.

In conjunction with Apple Computer and IBM, Motorola developed the much-talked-about PowerPC Risc chip, which can make a desktop computer as powerful as a scientific work station. It is also a major investor in Iridium — the \$18bn global mobile communications project that plans to connect every point on the planet with a fleet of 66 low-orbit satellites, which will act as transmitters and receivers of cellular phone calls. ■



Mokhtari and Norling ... re-establishing communication

which are beginning now and will end in September 1995. Norling says Motorola's wireless local-loop technology will enable it to provide phone lines in areas that Telkom hasn't reached. "We can target the shortage of phones and the waiting lists."

Founded by Paul Galvin in 1928 in Chicago, the company's first major invention enabled consumers to play their radios directly from household current instead of cumbersome batteries. And thanks to Motorola, the Allied troops in World War 2 were the first to enjoy mobile communication on the battlefield. Later, the company ensured that Neil Armstrong's famous first words on the moon were heard back on earth.

Today its product line also includes integrated circuits and semiconductors, security and aerospace electronics, and automotive

# Reebok aiming to top league

Star

■ BY JOHN SPIRA

Reebok SA is determined to take top slot in the sports and footwear field — a market believed to be worth R3 billion a year.

17/12/94  
MD Mike Clarke says: "Reebok is committed to becoming the number one sportswear brand in SA within the first year of operation and the largest within the next three years."

(b2) (b7E)  
Reebok SA is 55 percent-owned by Reebok International (1993 sales, R7,5 billion) and 45 percent-owned by local group First Africa Marketing Investment.

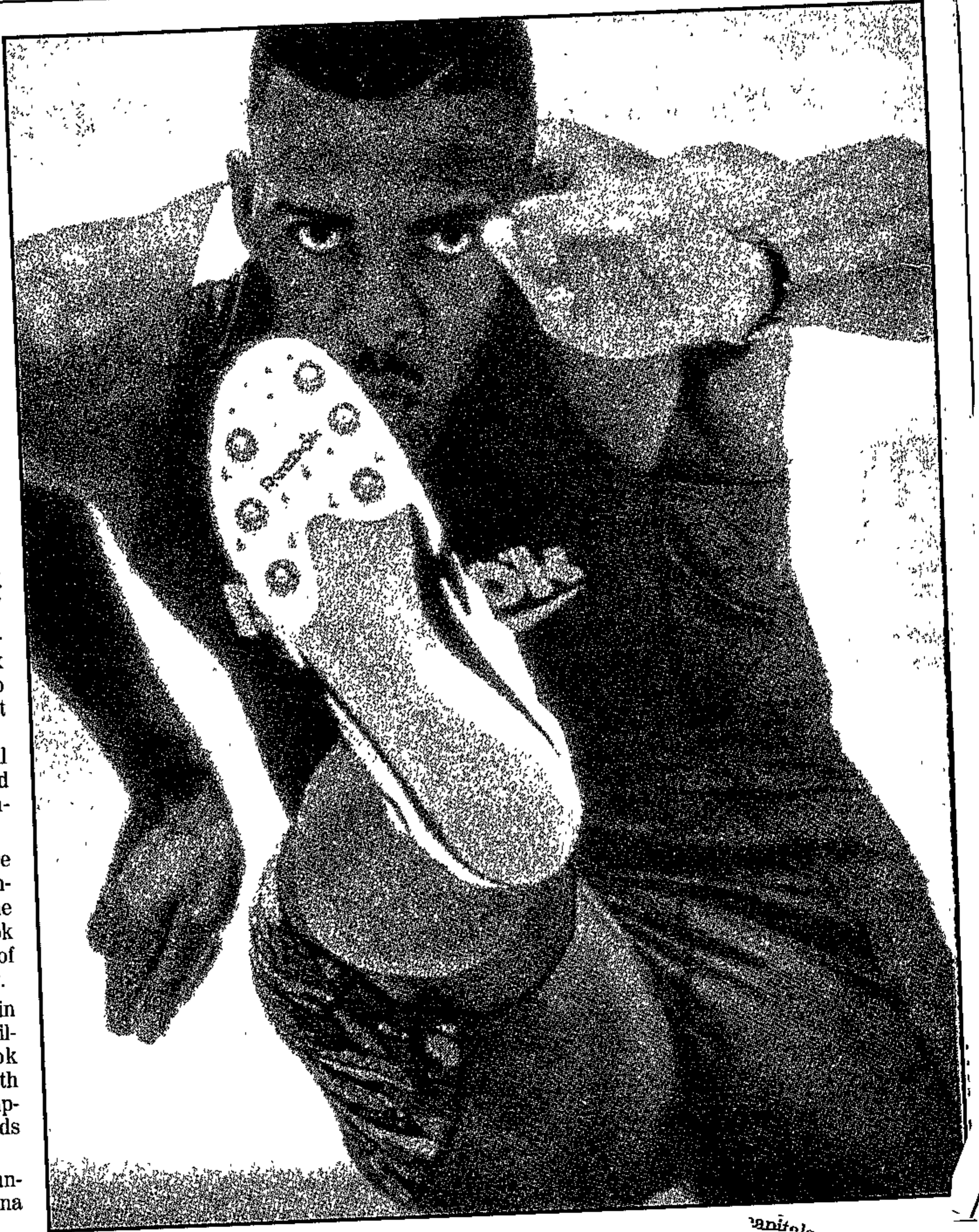
Reebok SA will be committing 8 percent of its pre-tax profit over the next 10 years to community development projects.

"The support will allow local communities to develop and equip themselves with commercial and social skills."

South Africans should score by being one of the first countries in the world to receive the most advanced line in Reebok products, some 70 models of which will be available locally.

"We also aim to be tops in customer service. Initial retailer response to the Reebok drive has been fantastic, with demand far outstripping supply — particularly in the fields of running and aerobics."

Heading Reebok SA's running programme will be Elana Meyer and Hezekiel Sepeng.



anital

## Coke re-invests after eight years

JOHANNESBURG. — A top Coca-Cola official, after meeting President Mandela, has announced that the company is to resume business here, nearly eight years after it divested.

The meeting yesterday between Mr Mandela and Carl Ware, head of Coke's operations in Africa, underlined the attention Coke could expect to receive as one of the largest United States companies to return to South Africa since Mr Mandela's inauguration.

Spokeswoman Polly Howes said the session with Mr Mandela was part of the company's "ongoing, longstanding dialogue with the leadership in South Africa".

Coke returns with pledges to adopt affirmative action policies for blacks and women and seek out black businesses as partners and suppliers.

"Working with our bottling partners, we are committed to creating a Coca-Cola system which fully embraces the spirit of the new South Africa," said John Hunter, an executive vice-president.

Earlier this month Pepsi-Cola International announced its return to South Africa and, like Coke, appeared to be seeking to woo black South African consumers with policies that help black employees and entrepreneurs.

Pepsi, which left South Africa 10 years ago, was returning through a joint venture with a black-owned company. — Sapa-AP. (62) 18/6/94 ARK

## Judge chops the meat levy mandate

## Coca-Cola returns to SA

JOHANNESBURG. — The Coca-Cola Company says it plans to return to South Africa after disinvesting nearly eight years ago.

“We look forward to rejoining the South African business community and being part of the exciting opportunities that we see emerging in that country today,” said Coca-Cola Executive Vice-President John Hunter yesterday.

Initially the company would establish an office in Johannesburg and buy National Beverage Services, an independent South African company which has provided marketing, technical and other support to Coca-Cola Company products here.

The Southern African Division office, to be established later this year, will have responsibility for South Africa, Namibia, Botswana, Lesotho and Swaziland. — Sapa.

62 ARG 18/6/94

# Coca-Cola plans an uplifting comeback

**COCA-COLA** Company, owner of the world's best-known trademark, has announced its return to South Africa.

It will acquire National Beverage Services (Nabbev), which supported the SA bottlers of its products, such as Amalgamated Beverage Industries and Suncrush, after Coke quit about eight years ago.

South Africa will become the "nerve centre" of Coca-Cola's southern African operations. It will develop Coke's business in the rest of Africa later.

Carl Ware, vice-president of Coca-Cola Company and its Africa Group president, says plans are under way to launch two products in South Africa — PowerAde isotonic drink and Minute

## By ZILLA FRAT

### Maid Juices to Go.

He says Coca-Cola will concentrate on black economic empowerment "not just as an obligation, but as a big business opportunity".

Coca-Cola is concluding a deal to give blacks an equity stake in a bottling franchise in the eastern Transvaal.

Coca-Cola plans ventures with entrepreneurs in the cooler, vending, manufacturing and distribution sides of its business.

Mr Ware says Coca-Cola will recruit 30 to 35 women and black men for middle and senior management positions.

Coca-Cola's proposed literacy training programme

will begin with its staff and be broadened to include communities and institutions.

Coca-Cola soft-drink concentrate will continue to be supplied from Swaziland, with whom the company has done a favourable tax deal. The Swazi plant exports to 16 southern African countries.

Mr Ware told President Nelson Mandela and Trade and Industry Minister Trevor Manuel of Coca-Cola's return in Pretoria on Friday.

He will not disclose the size of his company's investment in South Africa. He says Pepsi's announcement that it was returning to South Africa did not influence Coca-Cola's timing of its decision.

Coca-Cola has spent the past eight months planning its return. Mr Ware says Coca-Cola has a market share of more than 75% in South Africa.

Nabbev will initially oversee operations in South Africa, Botswana, Swaziland, Lesotho and Namibia, all previously served from Harare. The Harare office will be maintained.

## COLA TONIC ...

Carl Ware, whose company plans to train SA's future business leaders

1916194

Coca-Cola dominates the sub-Saharan market, its products accounting for 72% of carbonated soft drinks sold in the region.

Mr Ware sees potential for market growth. Coca-Cola has bottling operations in every African country. South Africa accounts for 48% of its African market.

South Africans drink 139 eight-ounce servings of carbonated soft drinks a year. The figure for the rest of Africa is 16.

Mr Ware says staff from other African operations will be trained in South Africa, "the economic engine driving southern Africa".

The acquisition of Nabbev is not expected to alter its relationship with other Coca-Cola bottlers in South Africa.

Even though it disinvested, Coca-Cola continued to contribute to the economy. Mr Ware says South Africa received about R500-million a year from taxes generated by Coca-Cola's systems here.

Coca-Cola is the largest buyer of sugar in South Africa, providing the industry with revenue of more than R260-million a year.



Picture: ARISHAD SATTER

Before disinvesting, Coca-Cola established the Equal Opportunity Foundation in South Africa. Governed by an independent board of trustees and supported by a \$10-million donation from Coca-Cola, it continues to support black education, health, agriculture and career advancement.

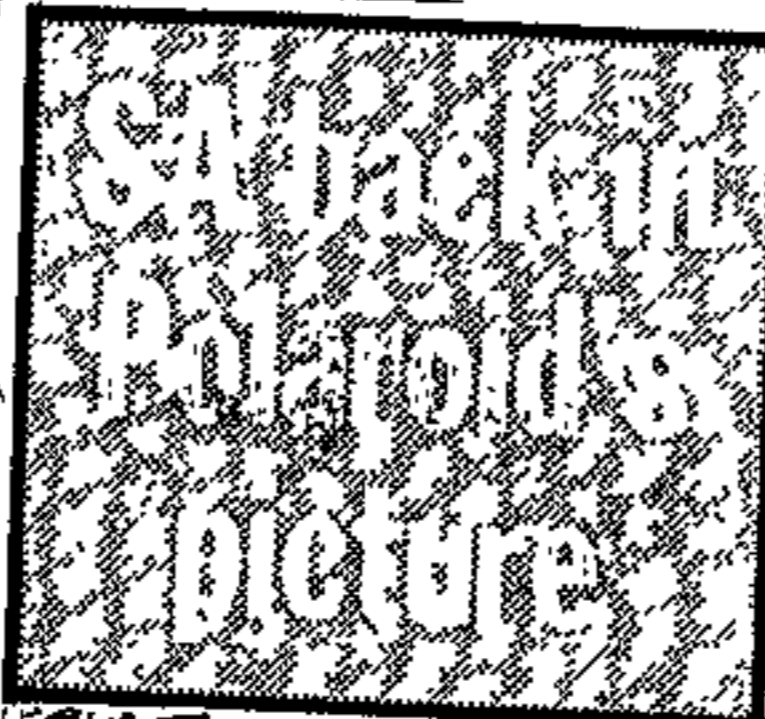
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*S Times*

POLAROID will be back in South Africa by October after a 17-year absence, writes ZILLA EFRAT.

Polaroid export operations business director Steve McCall says talks are under way with prospective partners to distribute the American company's products in South Africa. Some products will be assembled here. (Buss)

Polaroid is expected to return in a "socially responsible" manner and will recruit staff here. 1916/94

Mr. McCall, who was in Johannesburg this week looking for office space, says the multinational will move its headquarters for Africa from Britain to South Africa. (b2) (S)

Polaroid — annual turnover \$2-billion — sells products ranging from photographic and X-ray equipment to sunglasses and computer-driven electronic imaging systems.

# Federal-Mogul returns to SA

BiDay 198/94

US-CAR parts supplier Federal-Mogul will return to SA after a six-year absence, with the R238m purchase of W&A's Varex motor spares business.

The company said yesterday it had made a conditional offer to buy all the ordinary shares and convertible debentures of Varex at R9,52 per security, payable as an initial cash amount of R8,52, with R1 being retained until March 1996 to cover any potential liabilities. W&A's spares and motor dealership company Vektra holds 72% of Varex.

Supplementing the deal was the acquisition of Southspare, the retail car parts business of unlisted Edspare Investment Corporation for R9,5m.

W&A executive chairman Ray Hasson said the deal would bring R165m into its coffers, bringing to R490m, the reduction in group debt over the past six months. The group had debts of about R1bn at the start of its financial year, but sold several major assets.

He indicated that the sale of Vektra was also a strong possibility, adding that the only significant asset which remained on the disposal list

MICK COLLINS

was W&A's coal mine Side Minerals. Hasson's statement quashed market speculation that the group's tyre manufacturing operation Gentyre could be up for sale. (b2)

A cautionary announcement from W&A said negotiations were in progress regarding the future status and ownership of Vektra.

Federal-Mogul said if the 90% acceptance level was achieved, it would invoke Section 440(k) of the Companies Act to acquire the balance of the shares compulsorily. It would seek the immediate suspension and termination of Varex's JSE listing.

The London Stock Exchange, where holding company Vektra had its primary listing, had indicated that once shareholders had approved the sale of its 72% in Varex, Vektra would be declared a cash shell. Vektra's listing would be suspended for a six-month period on both the LSE and the JSE.

Federal-Mogul, which is listed on the New York Stock Exchange, quit SA in 1988 when it sold its wholesale distribution operation Femo, which is now a subsidiary of Varex.



# US firm sets up in Atlantis

CAPE TOWN — A US-based Diamond Electronics plans to invest about R130m in an Atlantis-based factory to manufacture cellular telephone chargers for Motorola in the US, says Atlantis Development Forum executive committee member and MP Danny Olifants.

He was interviewed yesterday at the opening of a business information centre in Atlantis which provides a permanent exhibition of all the products produced there by about 100 large industries.

He said Diamond Electronics was the latest company to establish a factory in Atlantis, setting up a pilot operation about a month ago. By the time the company was in full production, probably by the end of next year, about 2 500 new jobs with housing assistance would have been created.

The investment represented a massive injection of employment into a 65 000-strong community which had suffered in the recession and had a 50% unemployment rate.

Trade and Industry Minister Trevor Manuel said the reconstruction and development programme White

*B. Day*  
**EDWARD WEST**

Paper mentioned the establishment of business information centres as an aid in attracting investment. Atlantis would serve as model and show whether the idea would prove successful.

The White Paper was still "fairly imperfect" and would be "tested with the people around the country for input" before Parliament was allowed to adopt it. *16/9/94*

The challenge to government was how to turn the attitudes of investors to labour intensive investment and away from primary resource investment. Jobs were needed to give content to democracy, he said. *(62)*

Referring to the Small Business Development Corporation, he said experience showed that small- and medium-sized enterprises created employment, and barriers to entrepreneurs should be removed.

Manuel said he had met SBDC private-sector shareholders who agreed the SBDC should not compete with financial institutions by borrowing from government. It should assist only those who were capable of providing good business plans.

# \$100m allotted to Biday 11/10/94 Pepsi's SA launch

US SOFT drinks giant Pepsi-Cola and black-owned New Age Beverages (NAB) would spend \$100m over the next three years to re-establish Pepsi in SA, the companies said yesterday.

Pepsi said NAB — 75% owned by Egoli Beverages and 25% owned by Pepsi — would hold the exclusive bottling rights for the PWV, which accounts for half the 275-million cases of carbonated drinks sold annually in SA. Production would start at a new plant in Johannesburg next month, and other flavours would be marketed as soon as local consumers took to the Pepsi taste. A JSE listing was also being considered.

Majority ownership of NAB would be transferred to SA shareholders over the next seven years, mainly through the issue of management and staff stock options. The transfer of ownership would be made via black-owned Kuyasa Trust.

Details of the venture's strategy to wrest market share from Coca-Cola, which currently holds about 90% of the SA market, were thin yesterday.

NAB relied instead on well-known per-

SELLO MOTLHABAKWE

sonalities to smooth its way into SA, with the launch timed to coincide with President Nelson Mandela's first state visit to the US since his inauguration.

Former Azapo president Khehla Mthembu is the CE with former SA Breweries and National Sorghum Breweries director Monwabisi Fandeso; president and chief operations officer. Shareholders include Kaizer Chiefs chairman and MD Kaizer Motaung, Price Forbes director Max Maisela and the female consumer pressure group Women's Investment Portfolio.

US backers, who have put in \$15m as start-up capital, include actor Danny Glover, singer Whitney Houston, OJ Simpson's attorney Johnnie Cochran and basketball star Shaquille O'Neal.

SIMON BARBER reports from New York that Pepsi also tried to persuade Mandela to appear at the launch event and offer his endorsement. This did not go down well with his advisors, who thought Pepsi was trying to exploit the President.

# NAB and Pepsi in R400-m deal

Star 4/10/94

■ BY THABO LESHILO

Pepsi Cola, which abandoned South Africa almost 10 years ago, will now be bottled in South Africa by New Age Beverages (NAB) starting next month, it was announced in Johannesburg and New York yesterday.

New Age has been awarded an exclusive national bottling franchise by Pepsi. It will initially be launched in the PWV region, which accounts for about half of the 275 million cases of carbonated drinks sold annually in South Africa.

The company will invest R400 million over the next three years to make and distribute Pepsi, Diet Pepsi, 7-Up and Mirinda Orange. Production starts at a newly built plant in Johannesburg in November.

New Age is a joint venture by Pepsi (25 percent) and Egoli Beverages (75 percent), a group of private African-American investors.

It was formed by South African born Ian Wilson, who spent 25 years with Coca-Cola, with black US investors including Earl Graves, publisher of Black Enterprise magazine and chairman and chief executive of Pepsi-Cola Bottling Company in Washington DC, Motown Record Company, singer Whitney Houston and basketball star Shaquille O'Neal.

Led by the Savant Group, the consortium of more than a dozen people pumped \$15 million into New Age.

New Age president Monwabisi Fandeso said in Johannesburg the majority stake in the company would be transferred to a consortium of local black investors within seven years.

Called Kuyasa (a new dawning), the consortium is made up of New Age chief executive Kehla Mthembu, Kaizer Motung, Solomon Morewa, Women's Investment Portfolio as well as the ZCC's Bishop



Kehla Mthembu... empowering the people.

Barnabas Lekganyane and his two brothers.

Others members of the group are Afsure deputy managing director Japie Moropa, Dr Selepe Motuba, entrepreneur Clyde Louw, Price Forbes director Max Maisela.

Fandeso said New Age was proud to have brought together such influential people to form Kuyasa.

"We believe that empowering blacks should not be viewed as social responsibility, but as an imperative for economic growth. We aim to do well, by doing good," he said.

Speaking from New York, Mthembu said Pepsi would involve black people in a process of empowerment, ranging from ownership and management to community support programmes.

He said: "New Age Beverages embodies the spirit of black empowerment that is at the very heart of the new South Africa. We will seek at every turn to implement that philosophy".

Said Ian Wilson from New York: South Africa represents an excellent opportunity not only for Pepsi, but for any business or individual with an eye toward investing in the future".

President Mandela, who is visiting America, has called the Pepsi venture "a model for foreign investment in the new South Africa".

# Opic backing for Duracell's return

■ BY PETER FABRICIUS  
and CHRIS WHITFIELD

Washington — Giant battery manufacturer Duracell is returning to South Africa after 10 years, in a venture backed by the US Government's Overseas Private Investment Corporation (Opic).

It was announced here yesterday that Opic would provide \$13 million in political risk insurance for the project.

Another Opic-backed project will also see America's fastest-growing franchise chain, Subway moving into the Republic.

Duracell, based in Bethel, Connecticut, disinvested from South Africa in 1984. According to an Opic statement, the new Duracell branch in Johannesburg would initially distribute batteries to South Africa and then

to neighbouring states.

It would implement an "aggressive affirmative action programme".

In the second initiative, fast food franchise chain Subway Corporation will get \$9 million in financing from Opic for its project to "establish a network of locally-owned and operated small businesses".

Subway hopes to open 80 of its sandwich shops in South Africa within the next five years.

"Subway is setting up a South African holding company to give members of the nation's disadvantaged community access to capital," said Opic.

Those who secure franchises will undergo intensive training before opening their own Subway Sandwich Shop.

The business ventures will be designed to "offer

new opportunities for aspiring entrepreneurs", said Opic in a statement issued here last night.

The announcement was timed to coincide with yesterday's launch of President Mandela's official State visit to the US.

Opic president Ruth Harkin described the two projects as "the beginning of a promising new partnership between American and South African business".

The US Government agency plans to provide \$35 million in investment guarantees and \$50 million in political risk insurance to projects in South Africa.

Last year it led an investment mission to South Africa and recently co-sponsored a similar visit designed to explore opportunities in the country's housing and construction sector.

# COCA COLA BATTLE BEGINS!

CIPRES 9110194

Soft-drink giants go for each other in bid to capture the black thirst

**A STATE of war exists between Coca Cola and Pepsi over who will control the cola drinking habits of black South Africans. Pepsi has accused Coke of being an "apartheid" beverage and Coke counters by claiming they have the full support of SA's new government. JOAO SANTA RITA reports.**

**I**n a growing battle with ugly racial connotations, Pepsi Cola is hoping that their "cola warrior" Khehla Mthembu will lead it to great victories over their arch rivals Coca Cola.

The cola war, at present being fought in the US with new products and slick advertising and involving highly paid entertainment stars, will now also be fought in South Africa and Pepsi is clearly hoping that Khehla Mthembu will provide the punch to at least unsettle Coke.

Mthembu, who spent some time in Robben Island for his political views, is now being introduced in the US at press conferences as "a great cola warrior".

The battle for the South African soft-drink market, now practically controlled by Coca Cola, reached new heights this week with hints and allegations of anti-black racism against Coca Cola and of racial gimmicks and tokenism against Pepsi Cola.

Pepsi announced this week a R70-million bottling venture in SA, New Age Beverages, which will be chaired by Mthembu.

A dozen prominent black American investors also announced they were investing millions of dollars in the new venture.

Ian Wilson, one of Pepsi's executives, tried to vilify Coca Cola as having established its dominance in the South African soft-drink market under the rule of apartheid.

At a press conference in New York on Tuesday Mthembu was then introduced by Wilson as "a good friend and a great cola warrior".

Mthembu immediately announced that New Age would focus on black townships rather than on urban



THE most famous black lawyer in the US has decided that in terms of SA he will put his money where his mouth is.

Johnnie Cochran, who is one of movie star OJ Simpson's lawyers, said this week he was joining several other prominent black Americans in a R70 million Pepsi bottling venture in South Africa, New Age Beverages.

Cochran, who rubs shoulders with entertainment celebrities and powerful politicians and businessmen, is also thinking of opening up a law office in Johannesburg as an international base for business clients.

In a break from the OJ Simpson trial Cochran told journalists he felt it was necessary now to actively support SA.

"Now is the time to do something constructive about South Africa," he said.

Cochran heads an all black law firm which has become famous as a problem-solver for black American celebrities. Among others he is the lawyer of singer Michael Jackson and movie star Jim Brown.

But the man who now has a Rolls-Royce and a Jaguar in his driveway said that as a child he never felt jealous or a victim of an unjust system when

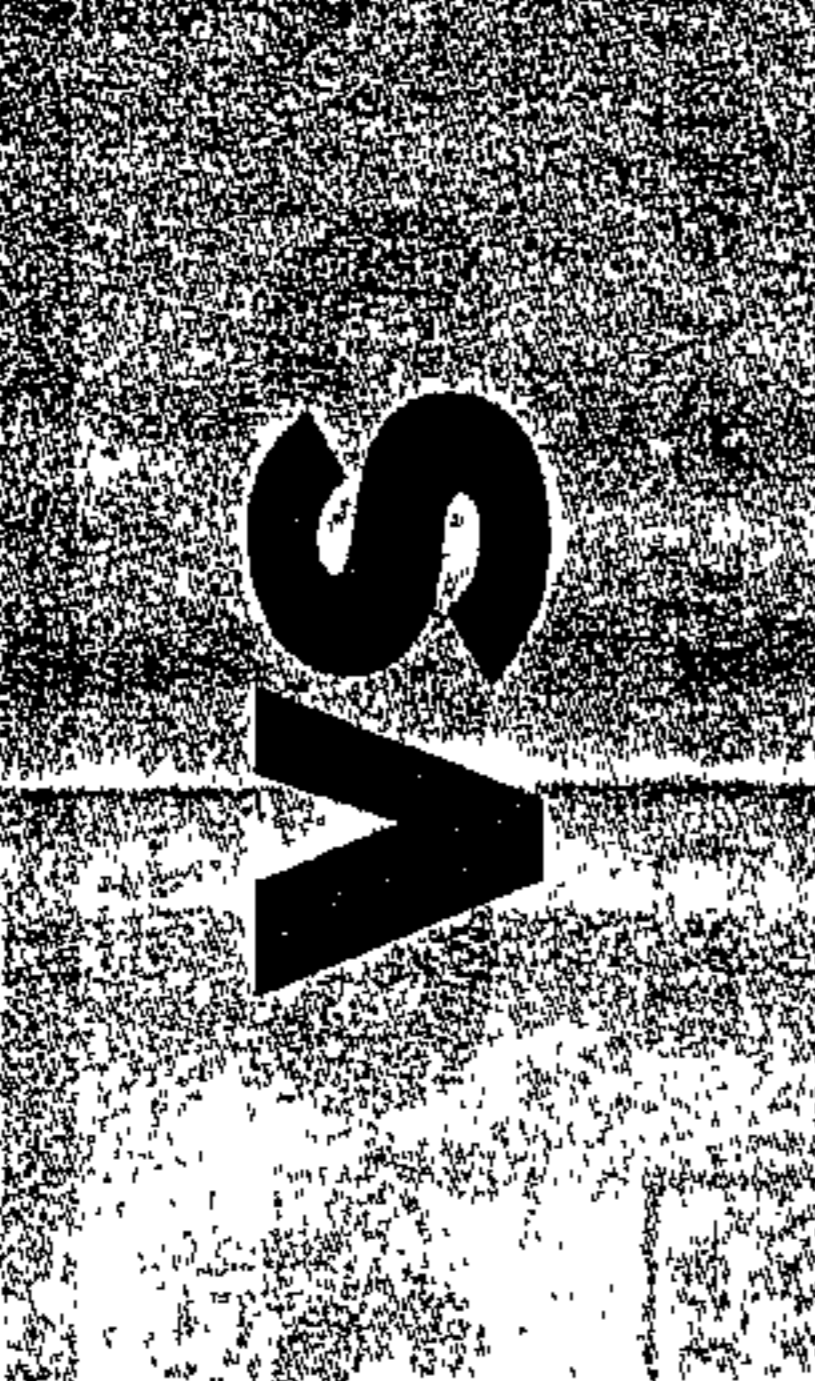
centres.

He said his company would start "black-enhancement programmes", providing training and financial backing for black companies and contractors.

The Wall Street Journal asked in a headline: "Is Pepsi Going Back to South Africa as the Choice of the Politically Correct?"

In a report from Johannesburg the journal said "some politically aware South Africans already have begun a whispering campaign that essentially is urging people to dump Coke because they are a reminder of the old South Africa. Pepsi of course is the new."

Spokesmen for Coca Cola are furious that Pepsi could resort to racial tactics. For Coca Cola there can be no doubts that "Coke is It".



**PEPSI has acquired top black US lawyer Johnnie Cochran to back them in SA. Cochran also plans to start up a law firm in Johannesburg. JOAO SANTA RITA reports.**

he visited the wealthy homes of white children who went to school with him in California.

"I did not feel deprived. I felt inspired," he told the Washington Post.

He said when he was a child he particularly admired the swimming pools he saw at many of those homes and vowed that one day he would have his own.

To this day, he told the press, he follows a simple rule which was if you want something, work for it.

"That's why to this day I work hard. I wanted to provide those things for my family," he said.

Born in 1937, Cochran celebrated his 57th birthday last Sunday. His father was an insurance salesman but Cochran said his mother kept the family together.

Nowadays Cochran likes to give his firm's employees, including the other ten black lawyers that

Coke spokesman Mark Presinger said: "the new government in South Africa fully supports what we do."

"There are 100 000 South Africans, the great majority are black, making their living working in the Coke system," he said.

In what sounded almost like an advertising slogan, the spokesman said Coke's record in SA was "a reality, not a promise".

And not to be outtraced by Pepsi's new South African "cola warrior" Coca Cola has reminded the public it too has its own South African black business connection.

Coca Cola was quick to point out that it had recently announced a bottling venture with the Kunene family.



work for him. T-shirts with slogans. His favourite: "Injustice anywhere is injustice everywhere."

His mother wanted him to become a doctor but he decided to become a lawyer.

"I wanted to persuade people. I like to talk," he said.

Cochran's admiration for his mother has not faded since she died. Every Sunday he visits her grave, where, he says, he talks to her because she is the source of his strength.

Cochran first made his name as a defender of impoverished blacks who had been maltreated by the authorities. He took their cases to court, invariably winning damages for clients that nobody cared about.

Now he is branching out into business law and is trying to convince black celebrities and businessmen that their contracts should be drawn by black lawyers. He has opened an office in Washington and plans eventually to open an office in Paris and Johannesburg which will be used as bases for international clients.

Other black lawyers says Cochran's expansion is going to be a difficult one because there is the perception that black lawyers cannot handle certain matters.

Reports said this would put two of Coca Cola's six South African bottling plants under black ownership. One spokesman refused, however, to dub the Kunenes as Coke's "cola warriors".

The racial skirmish in the cola war comes at a time when there is growing controversy over a decision by the Clinton administration to give preference to American black-owned businesses when awarding contracts for its assistance programme to SA.

Washington Lawyer Bruce Fein, a champion of conservative causes, has called for a congressional investigation into what he called "racist policies" of the Clinton administration when awarding government contracts in SA.

# Top US AUG 15 10 1944 choc sells sweetly <sup>(b2)</sup>

**MANDY JEAN WOODS**

**HERSHEY**, America's leading chocolate brand, has broken all sales projections in the six months it has been in South Africa.

This is in spite of a limited amount having been spent on advertising and marketing, and being slightly more expensive than locally-made chocolate bars, says J Melnick & Co marketing manager Glenn Gillis.

The company — based in Cape Town — is the South African distributor of all Hershey products.

Hershey has only recently moved into the international market and, says Mr Gillis, South Africa was one of the first countries it targeted.

About 18 months ago Mars, Hershey's major competitor in the US, also began to pay special attention to the South African market.

"The difference between the two brands in terms of their international profiles and policies are quite striking," says Mr Gillis.

"Hershey, until a few years ago, chose to focus its efforts exclusively in the US, and invested heavily in developing new and different chocolates.

"Mars, on the other hand, have been expanding its global reach steadily, although at some cost to their position in the US."

Mars chose to go the mass-market route in South Africa, taking on the local chocolate producers head-on.

Hershey chose to go the bottom-up route, deliberately concentrating on cultivating retailers rather than appealing directly to the public, Gillis says.

# Mobil Oil set to return to SA market

CT 18 10 1994

Deputy Business Editor  
MOBIL Oil Corporation, which disinvested from South Africa in 1989, was considering returning to SA, president of Mobil Africa, Dick Leonard said yesterday.

In an interview at the international oil conference attended by more than 260 delegates from 30 countries, Leonard said Mobil was cur-

rently operating in 28 other countries on the African continent and saw South Africa as the foothold to the Southern African region.

He said that with seven oil companies operating in South Africa, it would be difficult for another big player to enter the market.

"However we may look for a special niche sector or we

might tie up with one of the existing players."

When it disinvested from South Africa, Mobil sold its business to Engen which is currently the largest player in South Africa and listed on the JSE.

Asked if they were considering re-investing in South Africa through Engen, Leonard said: "We obviously

know them well. Anything is possible."

John Cousins, vice president of new Business Development for Mobil and a speaker at the conference said in an interview that Mobil were currently evaluating South Africa's off-shore exploration permits.

Bidding for the round closes on April 12 next year with

the first complete evaluation of the bids expected by June 1, 1995, with the first block expected to be awarded by November 1 next year.

Cousins said however that oil and gas reserves off South Africa were not expected to be as good as some of its neighbours such as Angola. "However new seismic technology could prove differently," he said.

# Investment trusts have edge

BY CHARLOTTE MATHEWS

The best-performing investment trusts outperformed the best-performing non-mining unit trusts in the year to September, figures supplied by Intrust and Genbel show.

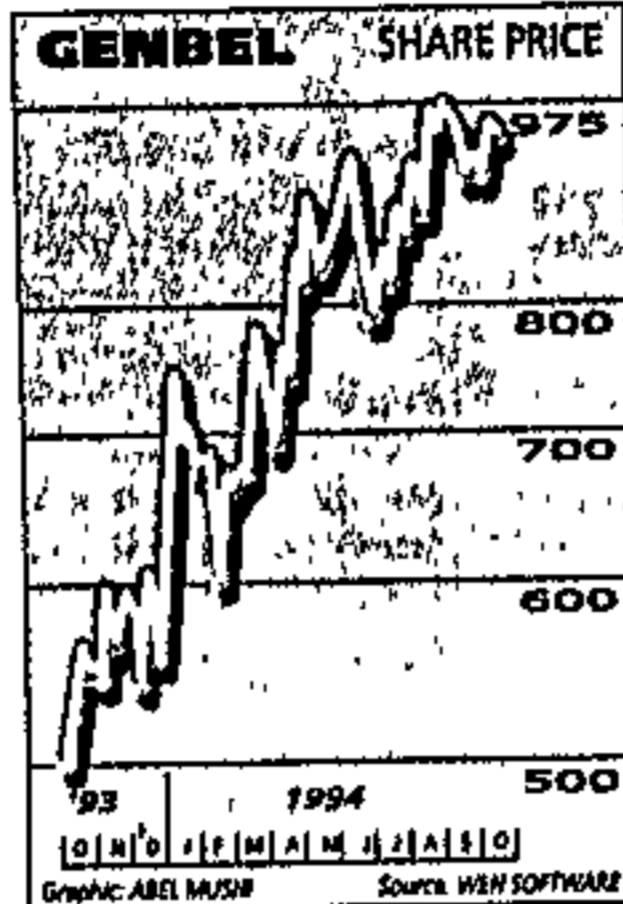
They show that Ettington Investments made a 100,7 percent return for its shareholders, based on a lump sum investment at the beginning of the period and including dividends reinvested and appreciation in the share price.

This was closely followed by Intrust, with 98,5 percent.

According to Genbel, it ranked third, with an 80,8 percent return.

The top-performing unit trust, calculated on the same basis and including initial investment costs, was Norwich with 74,69 percent, followed by Metfund with 53,61 percent and UAL Selected Opportunities with 53,05 percent.

Genbel said yesterday an investment trust offered many advantages over traditional unit trusts. As a closed-end fund, any demand for shares was reflected by an increase in the share price.



Its closed-end structure meant an investment trust could gear — in 1993 Genbel was able to borrow almost R1 billion against the security of the core portfolio.

Intrust investment manager Zaida Zaayman said this gave investment trusts a particular advantage in a falling market, when a unit trust management company might have to sell good investments to pay out its unitholders who decided to sell and would normally be unable to take advantage of buying opportunities.

According to Genbel, it could operate its portfolio without any of the restrictions applying to other managed investments, with no minimum liquidity requirements and the ability to trade in derivative instruments.

This enabled the fund to take a longer-term view on its investment strategy.

Zaayman said the lower costs of an investment trust were a big advantage and had made them one of the most popular forms of investment in the UK.

Against the initial unit trust charges totalling about 2 percent to 7,5 percent, the only costs of an investment trust were the management expenses, 1 percent marketable securities tax and the brokerage fees, which were on a sliding scale, starting at R30 plus 1,2 percent on a R5 000 transaction.

Genbel said its own fund was ideal for a private investor wanting to graduate from indirect equity investments to outright share ownership.

Zaayman said an investment trust was suited to a sophisticated investor who wanted to take a more active decision-making role.

Intrust emphasised that as it focused on second-tier shares and had no blue chips or mining interests, investors should make Intrust part but not all of their portfolios.

A unit trust source said if investment trusts wished to compete with unit trusts they should operate within the same parameters, with the same restrictions on gearing, liquidity and maximum weightings in the portfolio.

The arguments put forward by the investment trust managers made no mention of the risks involved, he said.

Unit trust managers were not allowed to write naked options, but there was nothing to stop an investment trust manager from taking risks in derivatives if it is part of its investment philosophy.

While the price of an investment trust share could rise, the converse was also true, he said, and investors were likely to try and get out of a geared portfolio in an environment of rising interest rates and a falling market.

made a useful contribution to trade figures.

## Polaroid, Electrolux returning

BY BUSINESS STAFF

Swedish multinational appliance manufacturer Electrolux and US photographic giant Polaroid are returning to South Africa.

A strong vote of confidence in South Africa and its new direction prompted Sweden's AB Electrolux to re-invest, chief executive officer Magnus Karlburg said yesterday.

Similar sentiments were expressed by senior vice-president of Polaroid Europe, Lee Brewer.

Polaroid, a Fortune 500 company headquartered in Massachusetts, with sales in excess of R7,5 billion, disinvested in 1977 in opposition to apartheid.

Electrolux also disinvested 17 years ago, but the local company has manufacturing plants in Cape Town and Bronkhorstspruit.

## Saitex '94

South Africa is poised to be an economic success story by attracting trade and investment to the entire sub-Saharan region, say foreign representatives taking part in this year's South African International Trade Exhibition (Saitex '94).

Speaking at an exhibition preview press conference in Johannesburg yesterday, six of this year's largest participants said international capital viewed South Africa as the pivotal player in the future of the emerging sub-Saharan market.

That fact would ensure the healthy performance of South African business, they said. — Sapa.

## Bus industry at crossroads, says Putco chief

BY CHARLOTTE MATHEWS

Clarification on second- and third-tier government responsibility for the transport needs of commuters is urgently required, Putco chairman Albino Carleo says in the annual report.

"The issue of bus ownership remains a crucial question," he says. "While there is uncertainty about the future, there is a reluctance by bus operators to make long-term com-

mitments."

The government's decision on subsidies would have a major effect on the viability of bus companies. There was strong passenger resistance to fare rises and it would be even more necessary to have all interested parties agree to acceptable fare structures.

In the year to June, Putco's attributable profits dropped to R17,6 million from R20,4 million previously on turnover up 13,2 percent to R477,9 million

(R421,5 million).

Earnings a share fell to 66,4c from 77,2c and the dividend to 38c from 40c.

The group is still faced with the problems of hijacking of vehicles, robberies and violence.

Revenue fell by R4 million owing to the shortfall between the passenger subsidy proposals put forward by independent consultants and final approved figures.

Net fixed assets on the balance sheet amounted to R152,2

million, up from R147,6 million in 1993. The figure consists mainly of the current value of buses at R101,4 million, with land and buildings accounting for R39 million.

Putco shares were at 350c yesterday, compared with their net asset value of 534c a share and their high in June of 430c.

At the current price they show a P/E of 5,3, about a quarter of the sector average of 21,1.

## Warning to VAT vendors

BUSINESS STAFF

Inland Revenue has warned vendors registered for VAT to be on the lookout for fraudulent export documentation or face having to make up the amount of VAT lost.

Although the VAT system has reduced tax evasion, Inland Revenue says it is concerned about fraud in relation to fictitious exports of certain commodities, in particular sugar, tobacco, toiletries and confectionery.

"Goods are purported to have been exported, but are in fact being sold to the informal sector or to final consumers in South Africa."

It says a number of evaders have already been identified and investigations have reached an advanced stage.

"Where tax fraud and collusion with the perpetrators of fraud is uncovered, Inland Revenue will have no hesitation in instituting criminal proceedings and civil action for recovery of taxes."

"Additional tax equal to 200 percent of the tax evaded will also be imposed."

Inland Revenue asks vendors to report suspect cases to receivers of revenue.

"Discussions have taken place with tax authorities in neighbouring countries, whose taxes are also being evaded, and a concerted effort is being launched by Inland Revenue in co-operation with the business sector and tax authorities in neighbouring states to identify and prosecute offenders."

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PAUL MIDDLETON 2071



# Polaroid back in SA after 17 years

BIDay 27/10/94

AMANDA VERMEULEN

US PHOTOGRAPHIC giant Polaroid yesterday announced its return to SA after an absence of 17 years, having disinvested in 1977 because of apartheid.

Polaroid Europe senior vice-president Lee Brewer said at the launch in Johannesburg that the group, famous for its sunglasses and instant cameras, would initially make its presence felt in the SA market through four distributors.

The company, whose global annual turnover is R7,5bn, would also expand operations into the rest of the subcontinent, using SA as the springboard to launch operations into neighbouring states.

Brewer would not comment on the value of the investment, as he said the initial period would be one of experimentation to establish a future course of action.

The group had not yet decided whether it would remain operating through distributors or, at some stage, to set up assembly lines to produce its goods locally.

"Announcing the investment figure at this stage is premature, but we should have a better idea by mid-1995," Brewer said.

The decision to appoint four distributors, which included Frank and

Hirsch, had been taken to penetrate the SA market quickly. Brewer added that a significant sum would be spent on advertising and marketing to back up its re-entry.

AB Electrolux has also announced its re-entry into the SA market after an absence of 17 years. Electrolux is one of the world's leading appliance manufacturers.

Senior vice-president Magnus Karlberg, who will head the new operation, said the reinvestment was a "strong vote of confidence in SA and its new direction".

Electrolux SA was launched on October 1 as a 60/40 joint venture with Barlows which, through its subsidiary Electrocol, handled the Electrolux brands for most of the Swedish company's 17-year absence.

Karlberg said the new company would also include AEG domestic appliances, whose worldwide operations were bought earlier this year by AB Electrolux.

The SA company would manufacture and market Electrolux floor care and AEG domestic appliances, Flymo garden care products and absorption refrigerators at its plants in Cape Town and Bronkhorstspuit.

## US-based Cigna returns to SA <sup>(b2)</sup>

US-BASED Cigna International — an operating company of Cigna Corporation, one of the largest insurance and financial services groups in the world — is back in SA. ET 4/11/94

It has re-acquired a former subsidiary, Concord Insurance Co of SA, which is based in Johannesburg with branches in Cape Town, Durban and Pretoria.

Concord, which was previously known as Cigna Insurance Co (SA) was sold to its employees in 1987 when sanctions were imposed.

"We want to show our unqualified support for the process of democratisation set in motion by President Mandela," Edward Hanway, President of Cigna International, said in a statement issued yesterday.

"SA's economy will begin to expand as more American, European and Asian companies respond to President Mandela's call to establish an operation there."

Cigna International has operations in 50 countries, consolidated assets of approximately R300bn and shareholders' equity of approximately R22bn.

## Pepsi plant protest disrupts deliveries

BEATRIX PAYNE

DELIVERIES from Pepsi's Germiston plant were disrupted again yesterday despite renewed attempts by the PWV legislature to mediate in the dispute between job seekers and management, New Age Beverages (NAB) president Monwabisi Fandesio said yesterday. *B Day*

The plant — which employs 150 workers — had been besieged by about 3 000 unemployed people who had prevented delivery trucks from leaving the premises and had harassed workers, he said. *8/11/94*

The disruptions had interrupted production but NAB would still try to meet supply deadlines for the official launch of Pepsi in SA on Thursday.

The PWV government's economic affairs committee chairman, Andrew Feinstein, said the legislature was "keeping an eye on the problem".

"Normally government would not get involved in problems between employers and employees, but this situation is slightly different," he said. *(62) (62)*

The provincial government had stepped in as it was concerned foreigners would be discouraged from investing in the region.

"It is certainly a cause of much concern among the investors and they are watching the situation closely," Fandesio said.

So far, R100m has been invested in the relaunch of Pepsi in SA and there are plans for a further R400m to be spent over the next three years.

□ To Page 2

# Pepsi

BIDay 8/11/94

From Page 1

Included in the group of African-American backers of NAB are US basketball star Shaquille O'Neal and singer Whitney Houston, who is visiting SA. (182)(b2)

A spokesman for the protesters, Machipu Matbejoane, said Pepsi had violated a September agreement by not employing people waiting outside the factory gates, and had instead recruited workers from

other companies.

Fandeso said NAB wanted to make it clear there were no further jobs available.

The company would consider legal action against the jobseekers if disruptions continued, despite the fact that this would not "go down well" with the foreign investors, he said.

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□ To Page 2

# Misinformation scupper R130m US-

By MAGGIE ROWLEY  
Deputy Business Editor

**A R130M INVESTMENT** by a US company Diamond Electronics in an Atlantis factory, which was hoped to create up to 2,500 jobs, has been called off with the investor claiming he was fed inaccurate information on government incentives by consultants. The investment to set up a factory to manufacture chargers for cellular telephones for export to the US was announced at the September opening of the Atlantis Business Information Centre by MP Danny Olifant and heralded as a major boost for the town

where unemployment levels have surged to around 46% in recent years. However, in a faxed letter to among others, Minister of Trade and Industries, Trevor Manuel, and Danny Olifant, Todd La Marche, former chief executive officer of Diamond Electronics claims he was fed misinformation by both a US employee sent ahead to do pre-planning and a South African consultant. He said they had provided him with inaccurate information regarding rebates, grants, incentives, GEIS, transport, labour rates and taxes for his busi-

ness proposal as well as incorrectly informing him that the business application for Diamond Electronics had been pre-approved by the SA government. La Marche said he had relied heavily on the accuracy of their input as he had only been able to visit South Africa in September due to other commitments. It was then that he found out that "literally nothing they had presented was accurate."

Prior to this, La Marche had organised the initial shipment of product to Atlantis in June this year in an endeavour to build the pilot run for shipment

back to the US for final approval from his customer. Upon completion of the first 500 pieces they were shipped back and met the quality level necessary to proceed.

He said had the situation been properly represented to him at the outset, he would never have embarked on the project which he had now determined could not possibly be profitable under the present structures.

La Marche claims he personally invested heavily in the project and its collapse had caused him significant financial loss. He said he was now inves-

tigating "what my legal recourse is". Diamond Electronics, which was formed in April this year has had to cease its operations.

Dudley Annenberg of Annenberg Real Estate, who negotiated the lease of a 7 000m<sup>2</sup> factory to Diamond Electronics in Atlantis said the first rent payment of R24 000 had been due on September 1 but no rental had as yet been paid.

He said the lease had now been cancelled and the factory, belonging to Tradeforms, was now back on the market for letting or buying.

# Atlantis factory deal

Deal worth \$100m, say analysts

# Ford returns with stake in Samcor

BIDay 29/11/94

US MOTOR group Ford has returned to SA after a six-year absence by buying a 45% stake in Anglo American's motor group Samcor in an investment estimated to be worth \$100m.

Anglo American and Ford's joint announcement of the agreement yesterday followed three months of discussions between Ford, Anglo American Corporation, Anglo American Industrial Corporation (Amic) and the Samcor Employees' Trust.

Ford international automotive operations executive vice-president Wayne Booker said the deal made Ford and Anglo equal partners in the motor group, which makes Ford and Mazda vehicles at its Pretoria plant. (62) (232)

Neither Booker nor Amic chairman Leslie Boyd would disclose the value of the deal, in which Ford bought 14% of Samcor from the Employees' Trust and 31% from Anglo. Before the deal, the trust held 24% of Samcor and Anglo American Corporation and Amic held 76%.

Industry sources estimated the value of Ford's investment at \$100m, or about R420m at the financial rand exchange rate.

Trust chairman Bantu Mtembu said its 14% stake had been sold for R50m. The cash would go to the trust.

Boyd said the figure raised by the Employees' Trust could not be used to calculate the total value of the investment as the other part of the deal involved "buying back equity and putting new equity in"

MUNGO SOGGOT

Booker said Ford would inject "new cash, new equipment and product investment" into Samcor. He would not discuss details of future products.

He said Ford was "confident enough" that SA tariffs on imported vehicles would not be reduced too quickly and too low — a move which would induce local car manufacturers to import fully built-up cars from their parent companies. "One assumes the SA government is not interested in adding to unemployment."

Booker hoped government's plans for the industry would support local content and offer export incentives for manufacturers to compete with Asian producers.

The Board on Tariffs and Trade in September proposed a gradual reduction in import tariffs to 30% by 2001. It said recently revised proposals — which responded to industry reaction to the initial proposals — would be published in the Government Gazette in December. A final decision on tariffs would be made in July.

Booker said Ford Motor Credit Company, a Ford Motor Co subsidiary, was planning a joint venture with Anglo and a local financial institution. "The new joint venture company will provide dedicated automotive financing support to Ford dealers and retail customers in SA."

"Many of us at Ford consider SA to be

To Page 2

## Ford

BIDay 29/11/94

From Page 1

one of our traditional homes and we are delighted to be returning" (62) (232)

Samcor MD and CEO Robert Herbertson would be succeeded by Jim Miller, formerly director of Ford in eastern Europe and of Ford export operations in Europe. Herbertson would be appointed Samcor non-

executive chairman.

Ford Canada and Anglo's car operations, Amcar, merged in 1985 to form Samcor. In 1988 Ford Canada divested its equity interest in Samcor and donated most of it to the Samcor Employees' Trust.

● See Page 10

# \$100m deal cements Ford's return

Own Correspondent

**JOHANNESBURG.** — US motor group Ford has returned to SA after a six-year absence by buying a 45% stake in Anglo American's motor group Samcor in an investment estimated to be worth \$100m.

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Booker said Ford would inject "new cash, new equipment and product investment" into Samcor. He would not discuss details of future products.

He said Ford's activities in the South African motor industry would depend on the final policy for the industry about which it was still "anxious".

"There are still problems. We are very anxious that the policy that comes out is designed to continue to promote growth in the industry," Booker said.

He said Ford was "confident enough" that SA tariffs on imported vehicles would not be reduced too quickly and too low — a move which would induce local car manufacturers to import fully built-up cars from their parent companies. "One assumes the SA government is not interested in adding to unemployment."

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to SA  
62



# Ford back in SA to reinvest

Sowetans 29/11/94

By Mzimkulu Malunga

US CAR manufacturer Ford yesterday announced its return to South Africa to reinvest an undisclosed amount of money.

Only the Ford management and their partners, Anglo American Corporation, know how much the US company would invest, but sources estimate it could be more than R200 million. Ford has acquired a 45 percent stake in Anglo's motor assembler, South African Motoring Corporation (Samcor) which assembled Ford's cars in South Africa after the company disinvested in 1987.

The company also bought back 14 percent of the 24 percent of holdings it gave to Samcor employees when it pulled out of South Africa. (b2) (b3)

# US-based Circle returns to SA

Business Staff

**US-BASED** Circle International Inc, which disinvested from SA in 1988, is back. It has bought back a minority shareholding in Circle Freight International (SA), a Barlows group transportation and logistics company, for an undisclosed sum.

In a statement issued yesterday Peter Gibert, president and CE of Circle International's parent group, the Harper Group, said it had been waiting for an

opportunity to re-invest in SA and negotiations were started as soon as US law allowed.

Part of the re-investment project would be the setting up of a joint venture company to be called Circle Africa. "The company will develop logistics systems and forwarding services into East and West Africa with the specific goal of establishing offices in a number of trading centres.

"Circle Freight International SA has a good positioning in the

local market and significant strength as part of the Barlows group. We believe that a continued partnership with Barlows augurs well for the continued expansion of our operations in southern Africa."

Circle International Inc is a global provider of integrated transportation and logistics services, including air and ocean forwarding, customs brokerage, warehousing and distribution. It has agents in 306 centres in 86 countries.

Ian Hunter, MD of Circle Freight International (SA) said he welcomed the re-investment. "We have developed from being a mere freight operation in 1988 to our current positioning as a true logistics provider.

"We have been able to benefit from the technology and worldwide communications network of our glocal principal and now have the opportunity to develop further as a full member of the Circle International family."

(b2) CT 6/12/94

FOREIGN FIRMS IN S.A. - UNITED STATES

1995

# Citibank will have full operation in SA by July

CITIBANK, the largest US banking group, said yesterday it would have fully fledged investment and commercial banking operations in SA by July, eight years after sanctions pressure prompted the group's withdrawal from the country.

Terry Davidson, Citibank's SA representative, said confidence in regional economic revival, niche opportunities in the local market, and SA companies' growing offshore ambitions had spurred Citibank's decision to reinvest.

"We can bring a great deal to this market because of the breadth of our international base," he said.

Davidson said Citibank was the international bank with the widest network in Africa with offices in 14 countries as well as 95 offices around the world.

Citibank joined several international banks and investment houses already in SA in setting up a representative office last year. The group had moved its eastern and southern African head office to Johannesburg from Nairobi.

Citibank was waiting for the Reserve Bank to update its requirements for foreign banks before deciding whether to set up a branch or subsidiary, or both.

Davidson said whatever regulatory framework emerged, Citibank would set up "a broad-based boutique operation" offering specialist treasury, corporate finance and commercial banking services.

"It makes a lot of sense to put a franchise in SA and integrate it with our eastern and southern African operations," Davidson said.

Davidson said booming trade, confirmed by latest customs and excise figures, between SA and its neighbours offered attractive banking opportunities.

SA exports to the rest of Africa surged 26% to R6,63bn in the first 10 months of 1994 from R5,27bn in 1993. Imports jumped 39% to R1,92bn from R1,38bn over the same period.

Davidson said the Citibank franchise would be relatively small for the first few years, but prospects for expansion were good if economic growth accelerated above 5% a year in SA and trade continued to grow.

Davidson was cautiously optimistic on economic prospects in the region as a whole. "Africa is undergoing very fundamental changes even if they are slow and in difficult stages," he said. — AP-DJ.

BJD 8/2/93

62



GOOD RETURNS . . . Chase Manhattan's Richard Cumberland, Richard Lowry and Simon Steward, who will head up the new SA branch

# Chase Manhattan returns to SA

(62) ST 19/2/95

CHASE Manhattan Bank, one of the largest US banks, with total assets of \$117-billion, is coming back to South Africa.

Chase Manhattan, whose main board in the US approved on Thursday the reopening of the SA office, will offer access to a fully fledged investment banking business from its Johannesburg base.

This will include corporate finance, capital market capabilities such as securities underwriting, sales and trading, private placements and syndications, as well as private banking where total clients'

## By JEREMY WOODS

assets are over \$55-billion.

The Chase SA operation will be run by Simon Steward, who ran the office before it was closed in 1986. Mr Steward was until recently a senior general manager at Syfrets in Cape Town, where he headed the private banking and investment division.

"Chase is delighted to be back and confident it can add value to the relationships already built up with the leading institutions. The

bank has been warmly received by the new government and was pleased to have been included in the recent RSA note issue of \$750-million as co-manager."

Chase senior vice-president Richard Lowry and regional credit executive Richard Cumberland are currently in South Africa preparing for the reopening of the Chase office and visiting Reserve Bank and other government officials.

Chase Manhattan left South Africa in 1986 shortly after a state of emergency was declared and

Prime Minister P W Botha made his "Rubicon" speech.

"It wasn't just the pressure by stockholders and government being put on American companies to justify their presence in South Africa under the apartheid regime, Chase redefined its global strategy after the Mexican debt crisis by moving out of commercial banking and concentrating its international focus on global trading and advisory services," said Mr Lowry.

"The important point is Chase is back and we think the region has tremendous upside."

# Calvert returns to southern Africa

(b2) CT(BR) 11/4/95

By JAMES SRODES

WASHINGTON CORRESPONDENT

The first American mutual fund to pull out of South Africa during the sanctions of the 1980s is about to open the first American open-ended mutual fund group to invest in South African stocks and business ventures in the region.

The Calvert group, of Washington DC, has confirmed that it will launch its New Africa Fund to invest in shares listed on

the Johannesburg Stock Exchange and the stock markets of 12 other southern African nations.

Calvert has \$1.25 billion in a variety of unit trust investment schemes, all of them committed to "responsible investment strategies" that combine profit motives with socially and politically correct strategies.

Steve Schueth, a Calvert executive, was quoted as saying the new fund will start with JSE

investments and take positions in regional multinationals.

Because the fund is open ended, it will use its revenues to invest in still more new ventures, these likely in shares listed in other regional stock markets.

The African-American firm Sloan Financial Corporation will select stocks and other investments for the portfolio.

Sloan already has offices in Johannesburg.

# General Electric returns to SA

(62) CT (RR) 21/4/95  
BY CLAIRE GEBHARDT

ECONOMICS EDITOR

General Electric International (GE) announced its return to South Africa yesterday after an absence of nine years.

GE is fifth on the Fortune 500 list and is one of the world's largest public companies, with revenues of \$60 billion.

The multibillion-dollar diversified technology, manufacturing and services organisation said it had taken its decision purely on business grounds.

GE also announced the signing of a licensing agreement between GE Transportation Systems and Dorbyl to manufacture locomotives and provide maintenance in Southern Africa.

The arrangement will enhance Dorbyl's role as a GE distributor by permitting locomotive manufacturing and full service-contract development in 10 southern African countries.

The newly appointed president of GE South Africa, Michael Hendry, said new diesel-electric locomotives would be built and the

GE fleet in Africa would be rebuilt to install new technology.

The work would be performed at Dorbyl's facilities in Boksburg.

GE Transportation Systems is one of the world's largest producers of locomotives, with units in more than 75 countries.

Dorbyl Transport Products designs and builds freight wagons, bogies and locomotives.

GE said it had been looking at the South African market for the past six months to assess its potential and to ensure investment would be the correct decision.

# US's General Electric back on the SA circuit

GENERAL Electric, the US company with the second largest market capitalisation in the world, is back in South Africa after an absence of nine years.

The company announced this week it had opened an office in Johannesburg and signed a licensing agreement with Dorbyl to make locomotives in South Africa.

Dorbyl will build new DC and AC diesel electric locomotives at its Boksburg facilities. It will also re-engineer and rebuild the current GE locomotive fleet in Africa and install new technology developed after units were delivered.

By ZILLA EFRAT

GE has also been awarded a five-year contract from Eskom worth around R10-million to make a product which protects transmission lines, says Clark Shaughnessy, of GE Electrical Distribution and Control.

Michael Hendry, who was recently appointed GE national executive for southern Africa and president of GE South Africa, says the company is finalising various other arrangements to supply the SA market with its products, services and technology.

These may include distributorships, licensing agreements and joint ventures, but GE could also make some acquisitions or invest in its own SA plant.

Mr Hendry says in each case the route chosen will depend on what makes economic sense in South Africa and on how the market can be served most effectively and competitively.

For example, a product will be imported and a local distributor appointed if South Africa cannot match labour rates abroad.

GE has been examining the SA market for the past six months and is

currently talking to many potential partners including some black investor groups. But, according to Mr Hendry, it is too early to place a value on GE's potential investment in South Africa.

Peter Bullard, a director of sales at GE's National Broadcasting Company, says his operation plans to launch a TV service in South Africa to attract the upper end of the market.

It has had preliminary talks with SA broadcasters and expects its services, which already reach 66-million TV households in 44 countries, to complement existing ones in South Africa.

GE traces its beginnings to Thomas

Edison, the inventor of the incandescent light bulb. Indeed, it was created by the 1892 merger between Edison's company and the Thomson Houston Electric Company.

Today GE operates in over 100 countries and employs more than 216 000 people. Its market value is \$87.2-billion and turnover in its 1994 financial year was \$60.1-billion.

Its many international activities include aircraft engines, electric motors, capital services, power systems, information services, lighting, appliances, medical systems and plastics.



# US business makes steady return to SA

BD 26/4/95 (62)

JOHN DLUDLU

THE number of US companies with direct investments in SA has risen 29% to 206 over the past year — the highest level since 1987, according to an Investor Responsibility Research Centre (IRRC) survey.

In its latest annual survey of companies investing in SA, the Washington-based research agency said US companies now employed about 45 000 people in SA, a 36% increase on the previous year's level.

IRRC director for SA Meg Voorhes said last year's elections not only paved the way for the return of major US companies which had disinvested, they also gave the green light to many US companies to invest or open offices for the first time in SA.

The survey said the list of returnees included US flagships Coca-Cola, Ford, IBM, Pepsi and Xerox. These companies had purchased a stake in existing SA operations.

The study noted that IBM and Ford's return was important in dollar terms. "Of the companies that reported their SA sales and assets in response to IRRC's 1995 survey, IBM — with \$414m in sales in SA in 1994 — is now the largest US company in SA by sales, while Ford — which now has \$156m in assets in SA — leads US companies in SA by asset value."

New entrants to the SA market which had either established subsid-

aries or opened offices since last year's elections included AT&T, information technology player Compaq Computer, Duracell, Hyatt International and Levi Strauss.

Voorhes expected the upward trend to continue, adding that several major companies, including car-maker Chrysler and McDonald's, had confirmed that their SA investment plans were "fairly well advanced."

"Many of the companies that are now investing in SA first tested the market by appointing SA distributors, our records show that at least 480 US companies now have such non-equity links to SA."

In terms of industry analysis, the study showed that companies in the financial services, communications and information technology sectors were leading the charge. "Of the 47 companies to invest in SA since the elections, 18% are in finance, insurance and real estate, 17% are in computers and computer-related services and 15% are in transportation and communications."

The Gauteng province emerged as the favourite location for US investors, with 92% of new operations. Second were the Western Cape and Eastern Cape — each getting 4%.

# Food giants in battle for slice of local cake

ST (BT) 2/15/95 (62)  
THE so-called "Cola Wars" sparked by Pepsi's return could be followed by a similar battle between fast-food giants McDonalds and Burger King.

McDonalds, the world's largest hamburger chain with 15 000 outlets in 80 countries, has been looking at the SA market for about two years.

It placed an advert in Business Times to recruit staff late last year and has gone on record saying it is about to look for SA franchisees.

Burger King, which ranks second in the world with 7 700 stores in 57 nations, will not disclose its plans. It does, however, appear to have started looking at the SA market.

Still, any entry into the market by either may take some time. Both are embroiled in legal battles over their trademarks in South Africa, which may cause delays.

The McDonalds case goes to court on August 28 and observers say Burger King may wait for the outcome before launching its own attack.

While McDonalds may have the head-start here, this is unlikely to give Burger King the same headaches that fellow US group Pepsi faced when it returned last year.

On its re-entry, it found that rival Coca-Cola controlled more than 77% of the market.

Coca-Cola had disinvested in 1986, but it left behind a successful company which held its SA master licence and supported its bottlers.

On the other hand, when Pepsi pulled out more than a decade ago, its local licence holder never got off the ground and was liquidated in 1990.

Now it has formed a joint venture called New Age Beverages in which black SA and US investors have a stake. It also built its own bottling plant in Germiston.

Pepsi has said it will invest R400-million in the SA operation over the next three years. So far about R80-million has been spent, but industry experts believe it is not enough to challenge the might of Coca Cola.

Pepsi has to counter Coca-Cola's huge investment in distribution. The latter's coolers in South Africa alone are said to be

worth at least R250-million.

In addition, a large marketing and advertising drive is required to win back customers.

At the same time, a new contender has been fast making inroads into retail and wholesale store soft drink sales.

The Cotts Corporation of Canada, which arrived in South Africa mid-1993, creates a unique brand and taste for each chain which often sells it for about 20% less than Pepsi or Coke.

Cotts claims to have cornered between 30% and 50% of the markets in which it operates. It has also been expanding its SA production facilities and opened a new factory in Cape Town in February.

On the food side, US-based Pillsbury became one of the first foreign investors in the post-sanctions era. This group, which sells its goods in over 100 countries, paid R90-million for a stake in a joint venture with Foodcorp late in 1993.

Its entry was soon followed by US group CPC International, which bought a 50% stake in Tongaat Consumer Foods for R92-million.

Meanwhile, Heinz, the US food giant which had earlier pulled out of talks with Foodcorp, confirms that it is still actively looking at the SA market.

New US entrants on the confectionary side include Hershey and Mars. Rather than investing, both have appointed distributors.

It will be difficult to catch up with established players in the market like Switzerland's Nestlé and British-owned Cadbury Schweppes.

Both have been selling their products here for more than 100 years.

JSE-listed Cadbury Schweppes employs just under 4 000 people in South Africa, while Nestlé employs about 6 000.

Nestlé recently said it would invest a further R600-million in its operations and Peter Bester Check, Cadbury Schweppes's chief executive, confirms that his group will increase its investment in markets which are re-entering a growth phase.

By ZILLA EFRAT

# Nike gets active in SA

ARL 3/6/95 (62)

JOHANNESBURG. — Nike Incorporated has bought 24,9 percent of a new distribution and marketing venture to be known as Nike South Africa, according to a statement released here.

Peter Garnett, formerly general manager of Nike New Zealand, has been appointed general manager of the new company.

US-based Nike is one of the world's leading designers and marketers of authentic athletic footwear, apparel and accesso-

ries for a wide variety of sports and fitness activities.

The new company would incorporate Odyssey Sports, which was set up by a consortium of South African businessmen to market and distribute Nike products in January 1994.

The founding partners of Odyssey Sports would hold 55,1 percent of the shares of Nike South Africa with Standard Bank of South Africa holding the remaining 20 percent, according to the statement.

"Odyssey Sports has done a

commendable job of establishing the Nike brand and consolidating market share in its first year of operation, Nike South Africa will make even greater inroads with the brand in this truly exciting sports and fitness market," Nike International vice-president David Kottkamp said.

The statement said the new operation would maintain operations and distribution facilities at Odyssey Sports' former location in the Kyalami business park at Midrand.

# Nike buys stake in SA outlet

ST (b) 4/6/95 (b2)

NIKE, the US sportswear manufacturer, has bought 24,9% of a distribution and marketing venture called Nike SA for an undisclosed amount, writes ZILLA EFRAT.

Nike returned to the South Africa 16 months ago and has appointed Peter Garbett, formerly Nike New Zealand's general manager, to head the operation.

Other shareholders include Standard Bank with 20% and four of the founding members of Midrand-based Odyssey Sports — a consortium of local businessmen given the licence to market Nike products last year. They are Samuel Noinyane, Ndaba Allan Ntsele, Solomon Sithole and Yusef Surtees, who between them hold 55,1%.

Mr Garbett says Nike's international philosophy is direct involvement, although no further investment is planned as yet. Nonetheless, all its apparel and accessories are produced locally.

Nike Inc, based in Beaverton, Oregon, is one of the world's leaders in footwear, apparel and accessories and has annual sales of \$4,4-billion.

Its share of the market is unknown, but the brand made a good showing at this year's Comrades Marathon. According to the official shoe count, Nike was the second-most popular shoe, worn by 30% of entrants. Six of the top 10 male runners, including winner Shaun Meiklejohn, wore Nike. Last year, Nike came third with 20% of the count.

# NEWSMAKER

**F**RANK Coleman, president of AT&T South Africa, would like his group to be among South Africa's top five companies in terms of sales within the next five years.

He says AT&T views South Africa as one of its top 10 potential developing markets and as a market in which it must have a presence.

He believes South Africa will have to expand its telephone infrastructure if it wants to develop, a requirement which has been recognised by the reconstruction and development programme and which offers AT&T an "excellent" business opportunity.

Mr Coleman says AT&T had some reservations about entering South Africa after anti-apartheid sanctions were lifted because of its concerns about political stability. Also, many of its competitors, mainly those from Europe, were already well entrenched in the market.

However, the green light was given because of the market's potential and because AT&T has always been successful against these competitors in other parts of the world.

AT&T has had extensive experience in evolving markets. With annual sales of over \$75-billion, AT&T has offices or operations in 100 countries, including 15 in Africa.

It does business in 200 countries and handles 175-million calls a day on its worldwide network.

Mr Coleman says South Africa has now become one of the few countries in which AT&T has appointed a president. AT&T will also use South Africa as the base for its sub-Saharan African operations.

There were concerns that AT&T, because of its large size, would take



SEEKING PARTNERS... Frank Coleman, president of US telecommunication giant AT&T's subsidiary in South Africa. Picture: ANDRZEJ SAWKA

## AT&T answers South Africa's call

away market share and cause job erosion in South Africa.

But Mr Coleman says: "This was never our intention and our main strategy has been to enter into partnerships with local companies."

In October last year AT&T formed a partnership with Finntech-held National Data System through which NDS will distribute AT&T's global information solutions products in

South Africa.

Around the same time, AT&T formed a relationship with International Communications Systems to distribute its multimedia products in South Africa. It also signed a deal with Advanced Cabling Systems, which is part of the Dimension Data group and which has become a value-added reseller of AT&T products. AT&T and Telkom, which have

long had a correspondent relationship, announced in March that they had established a high-speed dedicated connection between South Africa and the US.

Along with other telecommunications companies, AT&T is preparing its bid for Telkom's R6-billion-plus tender to install 1-million phone lines in the former TBVC states. On a wider scale, AT&T has pro-

posed a R7-billion initiative — Africa ONE — which could see the African continent surrounded by a high-capacity fibre optic cable.

While this "pipeline" will give the continent access to the world's information highways, it has been seen as a threat in some quarters.

But Mr Coleman says Africa ONE will not mean that AT&T will control telecommunications in Africa. It will

only facilitate the project. Mr Coleman says AT&T will employ about 25 people in South Africa by the end of June. Half of them were unemployed and it has also taken on less-skilled staff members who will be trained in their positions.

At this stage, AT&T is still evaluating the extent of its future investment in South Africa. While this could include local production, a final decision will be made once there is more clarity on the future of SA telecommunications policy.

Mr Coleman, 50, who has been with AT&T for 26 years, has had much experience in working in developing countries with low telephone density.

As marketing vice-president for AT&T's network wireless system's business unit, he was involved in the provision of a full communications system for Argentina in just five months.

Mr Coleman's wife, Roberta, is director of public relations and public affairs for AT&T sub-Saharan Africa. She has worked for AT&T for 16 years, but, until now, never in the same office as her husband.

The Colemans have two adult children, who have chosen to stay on in the US.

The couple says they have been made to feel most welcome in South Africa but are a bit uneasy about the country's crime levels — they were almost robbed at their Bryanston home at Easter.

They both love reading, concerts and dancing and are avid sports spectators who are fast acquiring a taste for cricket and rugby.

**Zilda Eprat**

# Nike acquires interest in SA venture

span 5/6/93 (62)

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## Leader

Peter Garnett, formerly general manager of Nike

New Zealand, has been appointed general manager of the new company, the statement said.

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Africa holding the remaining 20%, according to the statement.

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market," Nike International vice president David Kottkamp said.

## Midrand

The statement said the new operation would maintain operations and distribution facilities at Odyssey Sports' former location in the Kyalami business park at Midrand. — Sapa.

**Nike in SA venture:** America's Nike said it had bought a 24.9 percent stake in a newly formed distribution and marketing venture, Nike South Africa. Standard Bank Investment holds a 20 percent interest.

(b2) 5/6/95 CT(BR)

STMA  
1

# PepsiCo takes bite out of Simba

Marcia Klein

(b2) M 2/6/95

FOODCORP had sold 50% of its Simba snacks division to PepsiCo Foods International in a R380m cash and equity deal, the company announced yesterday.

CE Dave Kennealy said Foodcorp would sell Simba to a new company which would be jointly held by the two groups. The joint venture would pay R190m to Foodcorp and Foodcorp would be issued shares worth R190m. PepsiCo would subscribe, in cash, for shares worth R190m in the joint venture. Both groups would have equal board representation and neither would have sole management control. Koos Ferreira would remain CE.

The two groups would create a contract distributor which would place distribution in black hands and improve access to township outlets.

Foodcorp would have first option to invest with PepsiCo in expansion into Africa. A project was being investigated. PepsiCo said the deal made it one of the largest foreign investors in SA, with all three lines of the group's business making major financial commitments.

Pepsi-Cola International had re-entered the soft drink market through a joint venture with New Age Beverages, which

Continued on Page 2

## PepsiCo (b2) M 2/6/95

Continued from Page 1

would invest \$100m over five years. PepsiCo's KFC International restaurant division and its franchise partners would invest \$200m over the next three years in existing and new operations.

Kennealy said Foodcorp had paid PepsiCo a royalty fee for use of trademarks and access to its technology, although this had been hampered by sanctions. The deal was initiated by Foodcorp, which wanted a closer technology relationship with PepsiCo. PepsiCo wished to enter the SA market, so the transaction suited both parties.

Kennealy said he believed PepsiCo could help Foodcorp to build Simba at a more rapid rate.

Kennealy said the R380m price tag might seem low compared with the R421.3m National Brands had paid for Willards, but Foodcorp was not giving up control and he felt the Willards price was high.

Simba's tag placed it on a price-to-earnings ratio of 20, which he felt was acceptable.

Had the transaction been effective from the year to August 1994, earnings would have increased 11.7% and gearing would have dropped to 3% from 28%.



# Ford Credit commences business in Pretoria

STAFF WRITER

Ford Credit, the world's largest automotive finance company, commenced business in South Africa with the opening its head office in Pretoria on July 1.

Ford Credit SA laid the foundations to provide sales support for Samcor products.

The shareholding of Ford Credit SA was split between Anglo American/Amic, Absa and Ford Credit International.

Anglo/Amic, being an equal shareholder of Samcor with Ford, took up a shareholding of

25,02 percent while Absa took up 49,99 percent and Ford Credit International the remaining 24,99 percent.

Initially, Ford Credit SA will provide vehicle stock financing for Samcor's 250 dealers nationwide.

Allan Frode, managing director of the new automotive finance company, said Ford Credit SA's vision is to assist Samcor in growing its market share and improving customer satisfaction.

He said that in the global scheme Ford 2000, Ford Credit would move into new markets like South Africa and establish a finan-

cial infrastructure.

This could help the automotive business flourish and grow, he said.

"Adopting the wholesale financing elements of the dealers' day-to-day running is a small step, but it represents the first in many steps we will take to support Samcor and its dealers," said Frode.

Later in the year, Ford Credit SA planned to provide financing to assist retail and fleet customers to purchase new locally made and imported Ford, Mazda and Mitsubishi vehicles, he said.

With more than \$100 billion of assets worldwide and the amalga-

(b2) CT(BR) 5/7/95

mation by two of the strongest business partners in South Africa, Ford Credit SA planned to adapt and introduce some of the most successful leasing and financial products from markets around the globe into the local market, said Jim Miller, managing director of Samcor.

Samcor believed this move was more than just an investment — it symbolised Ford's commitment to South Africa.

"We plan to grow our share of 15 percent of the local automotive market by 50 percent in the next five years," he said.

# 'Big Mac' to bite into Cape Town burger market

Staff Reporter

(62) ARG 11/8/95  
AMERICA's most famous fast food, the "Big Mac" hamburger, will be available at a restaurant in Cape Town within months following the decision by McDonalds to come to South Africa.

The first two McDonalds restaurants will be in Cape Town and Johannesburg, and will employ between 60 and 80 people each.

"We are delighted that circumstances have permitted us to enter South Africa at this exciting time in the country's history," said local managing-director Carter Drew, announcing the opening of the company's office in South Africa.

"We have conducted extensive research into the development of local suppliers, the siting of our restaurants, potential franchisees and employment policies, and we will move carefully in opening up new restaurants until we have gained greater experience of local conditions."

McDonalds is the world's leading fast-food chain with more than 15 700 restaurants in 83 countries. South Africa will be the 84th.

A spokesman for the company said 80 percent of McDonalds' restaurants were locally owned and operated by independent entrepreneurs.

A mix of operations here was planned.

"Our restaurants will be owned by local entrepreneurs through conventional franchises and joint ventures. We will also have some company-owned restaurants."

● In Britain, in the longest libel trial in British history, McDonalds is suing two unemployed environmentalists who claimed in a leaflet that the company was responsible for environmental destruction and that its food was linked to heart disease and cancer.

The trial, which has already lasted for 13 months, is expect to drag on at least until January next year.

# US burger chain in SA this year

11/18/93  
b2

**Marcia Klein**

McDONALD'S is set to serve Big Macs in Johannesburg and Cape Town by the end of this year, McDonald's in SA president and MD Carter Drew said yesterday.

Its entry into SA, which follows years of speculation, was announced despite the fact that legal proceedings — which involve the use of its trademark by an SA company — have not yet been concluded.

Drew said yesterday that McDonald's was "operating on the basis of good faith that the legal process will be concluded and that we will be successful". The matter was expected to be heard in court at the end of August.

He said the SA office was setting up franchise operations, operational infrastructure and securing local suppliers and restaurant sites.

McDonald's would have conventional franchise and joint venture agreements with SA entrepreneurs and also some company-owned restaurants. It would own or lease properties.

Drew said there were three registered applicants in training, but they had not yet been approved as franchisees.

It had identified sites in Johannesburg and Cape Town. The first sites were in high traffic areas, big enough for it to test its

drive-through concept.

Drew would not give details on the two sites other than to say they were probably in suburban areas on a large piece of property near to a shopping mall. "But the first restaurant has to be somewhere", and the first site should not be an indicator of things to come. "We expect to open wherever there is a viable market for our products, and have no preconceptions about where this might be".

The investment would be small initially, but it would be spending on the restaurants and skills development.

From a supplier point of view, most of the products and services would come from SA companies.

The average McDonald's employs 60 to 80 people. It would only be able to employ as it built its restaurants and expected it to be some time before the company was a large scale employer in SA.

He could not comment at this stage on the price of a Big Mac.

McDonald's is the world's largest restaurant chain with over 15 700 outlets in 83 countries.

A new McDonald's opens somewhere in the world every seven hours, and its more than 1-million employees serve more than 29-million customers a day. The busiest McDonald's is in Moscow.

# McDonald's will open first two franchises in South Africa

(62)

Wm(BM) 11-17/8/95

## Karen Harverson

**M**ULTINATIONAL hamburger chain McDonald's is on track to open its first two restaurants in South Africa despite the fact that the court case over the rights to its trademark has not yet been resolved.

South African George Sombonos, owner of franchise chain Chicken Licken, is seeking the right to expunge McDonald's trademark from the South African register on the basis of "non-use".

"We are in the process of establishing

ing a full country office in South Africa and plan to have a mix of operations in this country," says Carter Drew, newly appointed managing director and president of McDonald's South Africa.

He is adamant that McDonald's had nothing to do with pressure exerted on South Africa by the United States to intervene in the case.

"We are operating in good faith and expect to open in South Africa. We have confidence in South Africa's due process system."

The first two outlets will be based in Johannesburg and Cape Town and will be appointed within the next two

will be franchised with individual franchisees owning and operating their own businesses.

Three South African potential licensees are already undergoing training in New Zealand

Drew says the company expects operations to be up and running by December this year.

He indicates that a substantial marketing drive will be undertaken prior to the opening.

It is McDonald's policy to use local suppliers wherever feasible.

"Suppliers have been identified and will be appointed within the next two

to three months," says Drew, adding that most of the ingredients will be sourced locally.

The restaurants typically employ 60 to 80 people. "It will be some time before the company becomes a large-scale employer in South Africa," adds Drew.

The company is the leading food service retailer in the global consumer market place, with more than 15 700 restaurants worldwide.

About 80 percent of its businesses are locally owned and operated by independent entrepreneurs.

South Africa will be the 84th country in which McDonald's opens its doors, and the third African country after Morocco and Egypt. Morocco has two outlets while Egypt has four.

Drew says that the company will own or lease the property in South Africa on which the restaurants will be sited.

Trademark battle, PAGE B2

## Levi Strauss invests R31m in SA factory

Nicola Jenvey (b2)  
P/D

DURBAN — American jeans manufacturer Levi Strauss had invested R31m in a Cape Town factory which would next week start selling jeans expected to retail at a 25%-50% discount to imports, the company said at the weekend.

Levi Strauss SA MD Waddell Blackwell said although the company had been in SA since November, details of its investment had remained under wraps "to devote time to cultivating retail relationships, hiring staff and establishing factory space".

The company currently employed 95 people at its Cape Town plant, but Blackwell expected this figure to rise to about 300 in the next 18 months.

Next week's launch through major retail chain stores in Durban, Cape Town and Johannesburg would coincide with Levi Strauss SA's nationwide marketing campaign. Expansion plans would be based on acceptance in its target market — teenagers, Blackwell said.

"We have already had a very positive

Continued on Page 2

## Levi Strauss

Continued from Page 1

response from the retail chain stores wishing to carry our product and are optimistic about entering the SA market.

"Levi Strauss has never officially done business in this country but our market research indicates there is a vast potential for us."

About 47% of SA's population was under 25 and had a culture of wearing denim jeans, Blackwell said.

He believed the retail price of the new jeans would be 25% to 50% less than South Africans were currently paying for the imported product.

Specialised Levi Strauss stores could be opened in major centres.

# Burger giant bites into SA market

(b2)  
CP20/8/95

**JEFFERSON  
LENGANE**

ONE OF the world's largest restaurant chains, Macdonald's, is poised to offer conventional franchises and enter into joint ventures with local entrepreneurs.

Macdonald's (based in the USA) has more than 15 700 restaurants in six continents and 83 countries. About 80 percent of Macdonald's businesses are owned and operated by independent local entrepreneurs.

South Africa is the latest addition to the list of countries where the food retailer operates.

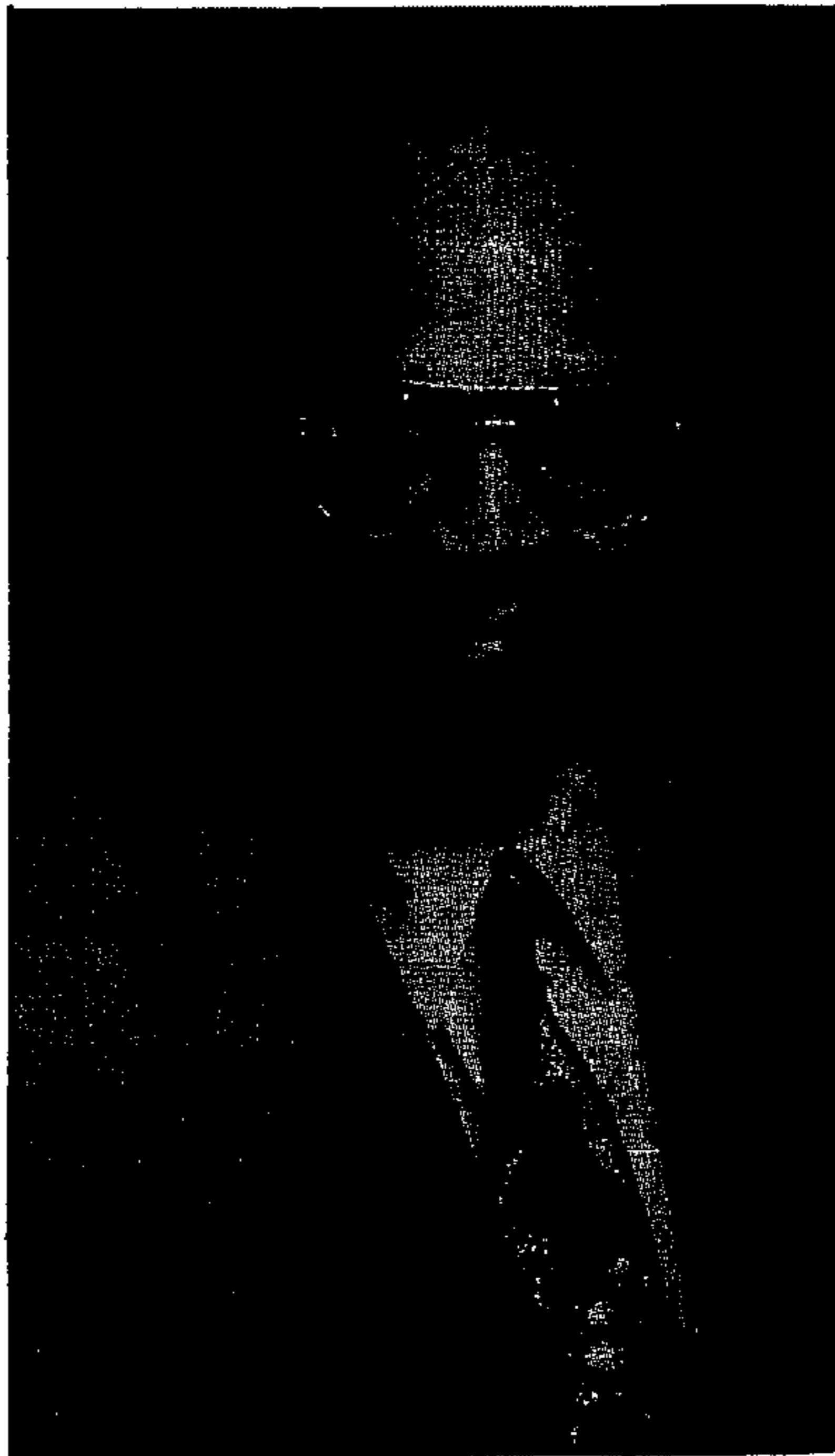
Macdonald's recently opened an office in SA and is already far down the track in preparation for an anticipated grand opening some time before the end of the year.

## Franchised

"The first two outlets will be franchised with individual franchisees owning and operating their businesses. Macdonald's will own or lease the property on which the restaurants are situated," president and managing director of the outlet in South Africa Carter Drew explained.

He said each of his restaurants employed between 60 and 80 people on salaries based on local wage structures and competitive within the local marketplace.

The company's established restaurants serve as training centres where day-to-day coaching and close interaction between managers and crew is emphasised.



**FAST FOOD FUNDI ... Macdonald's South Africa managing director Carter Drew.**

For new entrants to the workforce, Macdonald's claims to offer an important foundation, teaching the interpersonal and organisation skills necessary.

Aspiring managers and franchisees progress through a development programme that culminates in advanced training at one of five management training centres in the United States, Germany, the United Kingdom, Japan and Australia.

The US facility is the company's famous Ham-

burger University, which trains more than 3 000 students in 22 languages annually.

"In general, each restaurant will have its own social investment programmes relating directly to its local environment. We fully understand, and are committed to our obligation to give back something to the community.

"The corporate office is currently engaged in negotiating with local producers to ensure the highest quality standards of food supplied."

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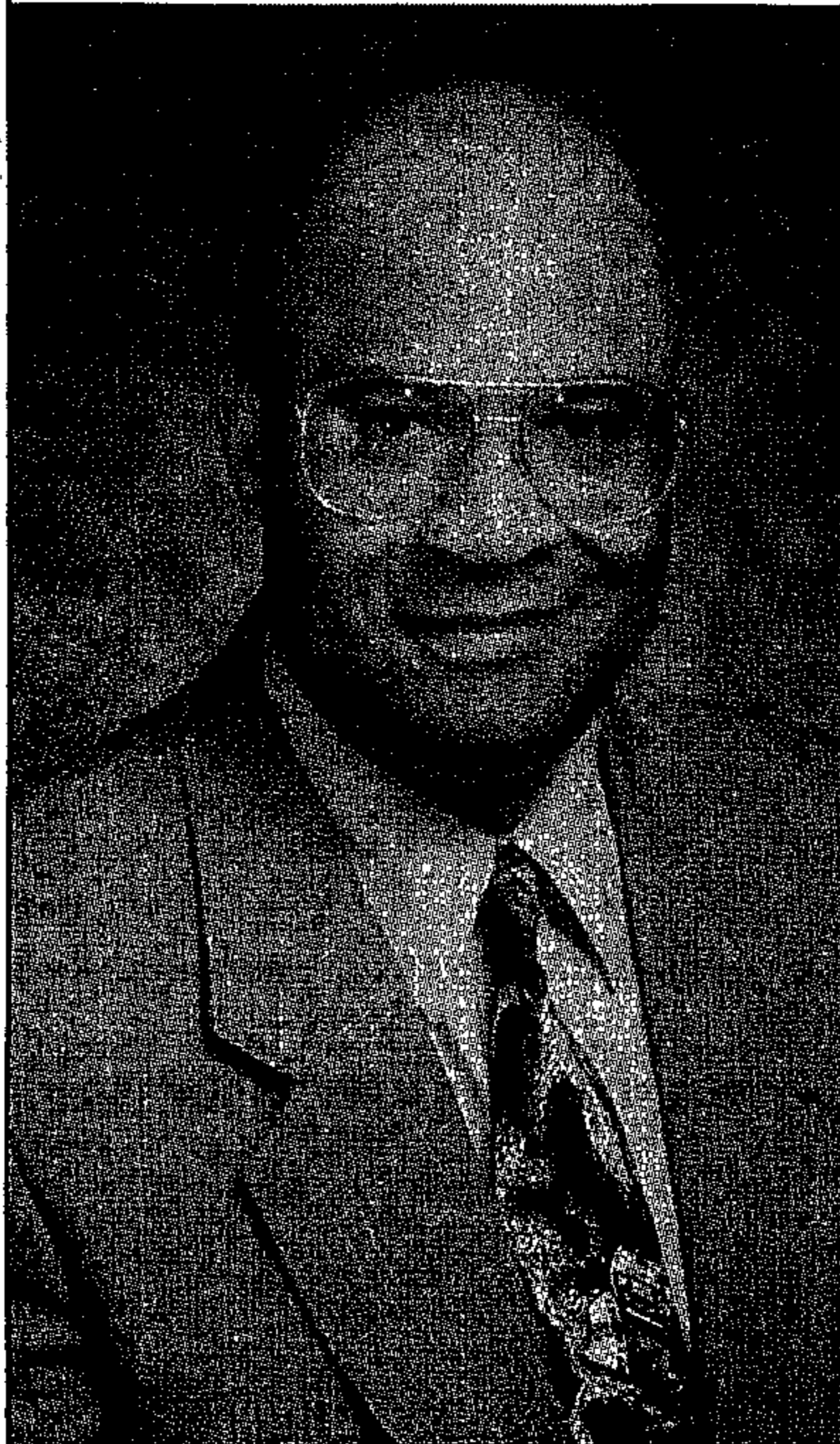
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# 42 train to be burger makers

62 (173)  
Sowetan 24/8/95

**By Mzimkulu Malunga**

FORTY TWO South African business people are undergoing training in various parts of the world to become good franchisees when burgers giant MacDonaldis comes to this country later in the year.

Big Mac, as MacDonaldis is known, is in the process of finalising franchise deals with a number of South African business people as part of its entrance into the South African market.

The prospective franchisees are currently attending courses in various parts of the world – mainly in New Zealand – to learn about the burger business.

## **Company tightlipped**

Although the company's representatives in South Africa have until now been tightlipped about who is likely to be awarded the franchises, *Sowetan* learns that an East Rand-based black businessman is one of those in the running.

The businessman concerned is said to be currently undergoing six months' training in New Zealand.

His name has also come up in another deal which is unrelated to the burger business.

It is not clear how many franchises will be awarded or whether some of the people concerned will run the franchises on joint venture basis.

The the key franchises will be in South Africa's key commercial cities, Cape Town, Johannesburg and Durban.



CT (PAR) 29/8/95 (62)

# McDonald's fight to use its own brandname in SA begins today

By SUDARSHAN RAGHAVAN  
SPECIAL WRITER

McDonald's, the fast-food giant, will wrestle with George Sombonos, the owner of the Chicken Licken fast-food chain, in the Transvaal Supreme Court in Pretoria today. The issue at stake is whether McDonald's can use its own brandname in South Africa.

The answer is not as simple as it seems. Nor are the potential consequences of the case. Shaun Ryan, Sombonos's lawyer, claims his client would like to use the famous trademark in South Africa. McDonald's says no way.

For many trademark experts the case has taken on great importance, not only for the nation's nascent Trademark Act but for political rela-

tions between America and South Africa.

The punches are being thrown at a time of rising American dissatisfaction — especially from powerful Republicans in Washington — with South Africa's ties with Cuba and its refusal to heed American calls for a global oil embargo against Iran.

Now, much to the ire of the American trade representative, two of America's treasured fast-food ambassadors — Burger King is embroiled in a separate case — are being sued by George Sombonos under an apartheid-era trademarks act to deregister their brandnames in South Africa.

"We have a very serious problem with a local business owner who would steal our world famous trademarks and exploit them and

the South African people," Mark Giresi, Burger King's general counsel told a legal seminar in May.

McDonald's refused to return numerous calls.

Under the old law, any foreign company not using its trademark for five years within the country could have it stripped away.

Both firms inked their names on to South Africa's register long ago. But they claim sanctions stopped them from setting up shop.

In March, South Africa's new Trademarks Act scrapped the use-it-or-lose-it clause and offered blanket protection to internationally known brandnames such as McDonald's and Burger King.

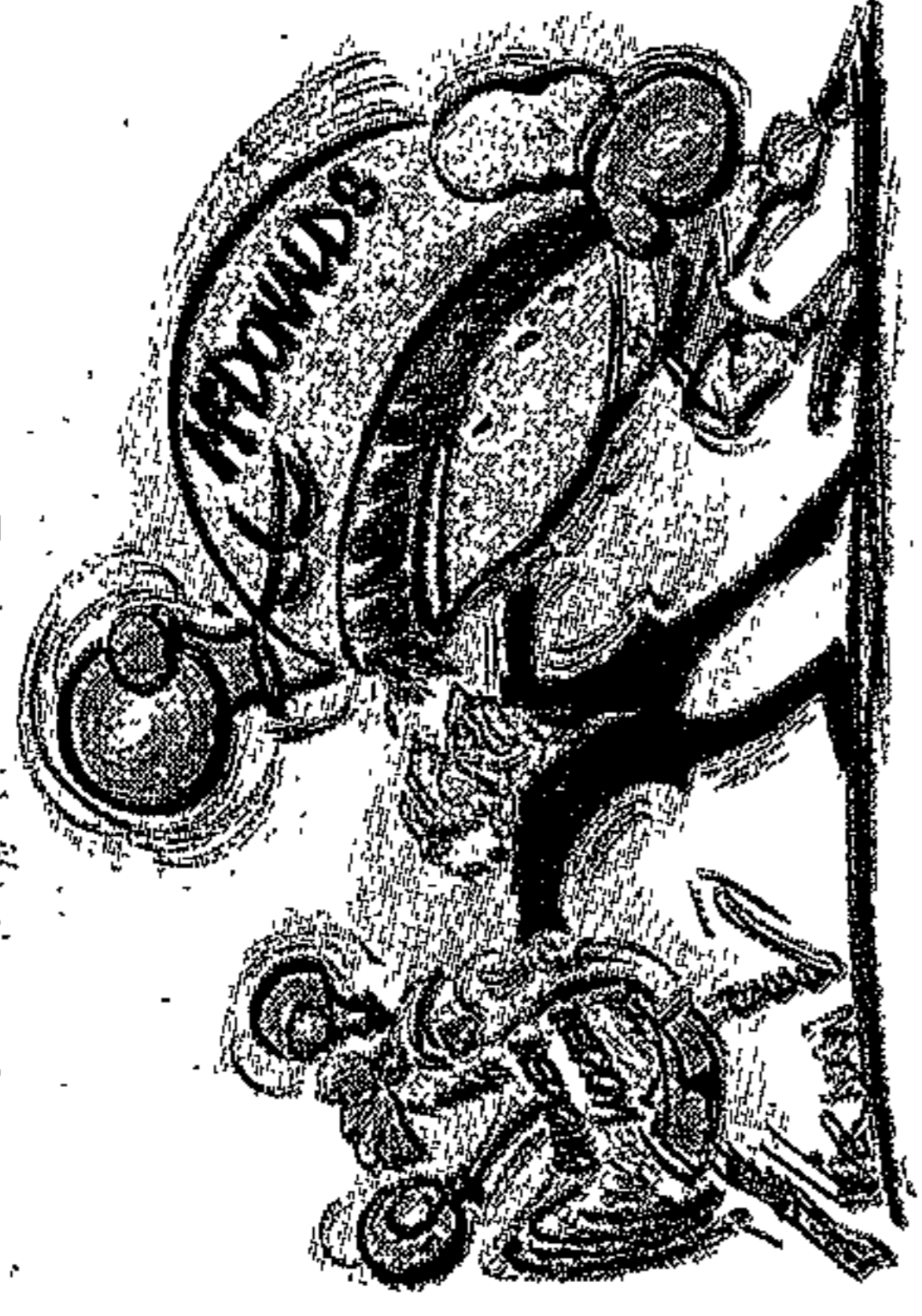
Sombonos, however, challenged the marks in May 1993 — before the new law's cutoff date, and could sue.

Last April the American trade representative placed South Africa on a "watch list" of nations who refuse to give protection to American intellectual property.

A few weeks ago, America threatened trade retaliation if South Africa did not satisfy Washington's quest for brandname protection by September 15.

No doubt, many eyes will be glued to this week's case which is widely seen as a gauge of how the courts will interpret the nation's new trademark laws.

More nationalistic observers say



it's a test of whether South Africa can stand up to what they feel is a bullying America.

Most legal forecasters pick McDonald's to win on grounds that its brandname is recognised inter-

nationally and that sanctions were a "special circumstance," and hence an exception to the rule.

Indeed, the firm has already announced plans to open two restaurants by the end of the year.

Ryan certainly will argue that McDonald's had plenty of opportu-

nities to enter South Africa even before sanctions were put in place. "To use sanctions is a suspicious argument," he claimed.

"They could have come here a lot sooner."

# Sanctions 'irrelevant to McDonald's'

(b2) (5)

BY SUDARSAN RAGHAVAN

CT (MR) 30/8/95

SPECIAL WRITER

In an attempt to knock down two crucial arguments posed by McDonald's, Chicken Licken's lawyers argued in a Pretoria court yesterday that sanctions were irrelevant in the American fast-food chain's decision not to enter South Africa and that most citizens did not recognise the McDonald's brandname.

Johan Louw, Chicken Licken's senior advocate, recited a series of letters from McDonald's executives addressed to potential black franchisers, declining to invest in South Africa as late as April 1992.

"They could have invested in black-owned businesses. Why did they not do so?" asked Louw.

He pointed out that other American fast-food firms such as Pizza Hut and Kentucky Fried Chicken stayed during sanctions by selling to local owners.

He slammed the results of two McDonald's brandname recognition surveys conducted in Durban and Johannesburg, arguing that the sample was taken from upper-class, well-travelled whites, and that most of the nation's blacks had not heard of McDonald's. McDonald's will argue its side of the case today.

# Big Mac argues trademark case

60 31/8/95 (62)

**Stephané Bothma**

PRETORIA — McDonald's Corporation has always had a definite intention of trading in SA and did not register its trademarks in the country merely to prevent others from using it, the US hamburger company argued in the Transvaal Supreme Court yesterday.

Opposing a challenge by two local companies to have the McDonald's trademarks expunged from the SA register, Cedric Puckrin SC representing the international fast food retailer argued that the apartheid system in SA had created "special circumstances" which prevented his client from trading in the country for many years.

Joburgers Drive-Inn Restaurant, owned by Chicken Licken franchise owner George Sombonos, and Durban-based Dax Prop are applying for the appropriation of the McDonald's trademark on the ground of "non-use" for a period of five years under the old Trademarks Act.

The trademark was registered in SA for the first time in 1968 and the local companies claim that McDonald's never had any intention of using it. But, Puckrin argued, shortly after US sanctions legislation was scrapped, McDonald's carried out its intention to use its trademark locally.

"The proof of the pudding is in the eating — they are here now and this

lends credence to McDonald's argument that it always intended to use its trademark in SA," Puckrin said.

He said McDonald's SA already had two registered franchises in the country — in Johannesburg and Cape Town — and that staff were already being trained. Premises had also already been obtained and negotiations with suppliers were under way.

"A lot of money is being spent," Puckrin said.

Johan Louw SC, representing the two local companies seeking the right to expunge McDonald's trademark from the SA register, argued that sanctions did not stop other major US companies such as Pizza Hut and Kentucky Fried Chicken from trading in SA.

He said Pizza Hut and Kentucky had used acceptable ways of bypassing US legislation, such as by licensing franchises and by joint ventures with SA businessmen.

McDonald's is applying for an interdict preventing the two companies from infringing on its trademark. It is fighting to keep its registration under the new Trademark Act of 1995, which defends internationally-recognised trademarks.

McDonald's disputes "non-use", claiming that by its sponsorship of the 1990 World Cup Soccer tournament and the 1992 Barcelona Olympics, which were screened on television in SA, it had used its trademark.

## 'Sanctions 'a red herring'

Stephané Bothma

(62) 81 30/8/95

PRETORIA — Multinational fast-food company McDonald's claim that US sanctions legislation and political pressure prevented it from entering the SA market was a red herring and an afterthought, the Transvaal Supreme Court was told yesterday.

The McDonald's trademark — registered by the US company in SA 25 years ago — had not been used because the company never had any intention of trading in SA until its trademark was threatened in 1993.

McDonald's is applying for an interdict preventing Joburgers Drive-inn Restaurant and Dax Prop of Durban from infringing on its trademark. It disputes "non-use", claiming that by its sponsorship of the 1990 World Cup Soccer tournament and the 1992 Barcelona Olympics, screened on television in SA, it used its trademark.

# Not simply a case of giving 'Big Mac a lickin'

(62) Saw 3/18/95

**L**ittle local restaurateur George Sombonos of Chicken Licken went to battle in the Transvaal Supreme Court this week with America's mighty McDonald's, the world's largest restaurant chain, for the right to use its famous brand name in South Africa.

But this is more than a quixotic adventure. It is an important test case which could affect the investment decisions of international businesses which are watching closely.

Under the new Trade Marks Act which came into effect this year, Sombonos would have no case; the Act clearly protects all brand names with international reputations whether or not they have done business in SA.

But in 1993 Sombonos applied under the old law for the trademarks of McDonald's and rival American fast-food chain Burger King to be expunged from the register, citing a clause which said that registered trademarks could lapse after five years if their owners did not renew them and were not conducting business here.

McDonald's and Burger King had

both registered their trademarks in SA during the early '80s but did not take them up because of sanctions.

Sombonos meanwhile acquired a fast-food restaurant called McDonald's. So the real McDonald's - which has already begun preparations to open its first restaurants in Johannesburg and Cape Town - brought this week's court interdict to stop him using its name.

## Piracy

Burger King, in a very similar predicament, will be watching the case very closely. So too will Toys R Us, the giant New Jersey-based toy retailer, and Victoria's Secret, the American vendor of sexy women's underwear though their problems are slightly different.

Before they acquired international reputations, both had their trademarks legally "pirated" by SA companies - Toys R Us by Redgewood Holdings and Victoria's Secret by Edgars - which are now trading under their marks in SA.

The US government is also watching the McDonald's case. By Septem-

ber 15 the US Trade Representative will decide whether to remove SA from a watch-list it was placed on for failing to protect the intellectual property rights of the four US companies - or move it to a "priority watch-list" just one step short of retaliatory trade measures.

McDonald's case relies in part on an exception to the "use use-it-lose-it" provision of the old trademark act for companies which can show special circumstances why they did not re-register their trademarks.

It argued this week that US sanctions constituted such special circumstances. The US Trade Representative is also believed to have suggested that the SA Registrar of Trademarks should help McDonald's by making an official announcement to the same effect.

But the SA Government has not responded well. Trade and Industry Minister Trevor Manuel has implied that the US government is trying to get the SA government to compromise the independence of the courts.

SA's ambassador to the United States, Franklin Sonn, went further,

publicly castigating the US for "economic aggression" and "imperialism".

This excessive language has clouded the issue and obscured what is at stake here. This is not primarily about SA sovereignty. The US Trade Representative works the same everywhere; on the same watch-list as SA are old friends and traditional allies of America's such as the European Union.

## Too shaky

More important is SA's international reputation for fair play. Whatever the legalities and politics, it is clearly outrageous to steal such famous brand names as McDonald's and the danger is that American and other international businesses will judge SA's commitment to protecting intellectual property rights too shaky to risk investment here.

Reed is clearly no enemy of SA and he insists that his real interest in this case is to help SA encourage investment which he says SA is growing increasingly reliant on as US foreign aid comes under threat.

But don't take his word for it. Assume that he is indeed a Yankee

imperialist. Rather heed the International Trademark Association (ITIA), representing more than 2 600 corporations in nearly 100 countries, which is watching the case as the eyes of international business.

The association said in a recent statement that McDonald's, Burger King and Toys R Us "appear to have been the victims of egregious piracy in South Africa by any global standard".

ITIA vice-president Frederick Mostert - incidentally, a South African - added in an interview this week that his organisation "would support any decision which would prevent the hijacking of well-known brands by trademark pirates".

SA runs the risk of being lumped with rogue countries such as Indonesia, Venezuela and Thailand which have acquired bad international reputations as harbours of trademark pirates.

Damage may already have been done. One source says a British textile manufacturer considering going into a joint partnership with one of the SA companies involved, decided against doing business with a "pirate".



IN WASHINGTON

Peter Fabricius

judgment... 1000  
time force were essential

## Judgment reserved in brand battle

Stephané Bothma

PRETORIA — US burger company McDonald's will have to wait to find out if the Transvaal Supreme Court will allow it to use its brand name in SA after judgment was reserved on Friday in a court battle between the restaurant chain and local businessmen applying for the internationally-known trademark to be expunged.

Although SA's new Trademarks Act, which came into effect this year, protects all brand names with international reputations, Chicken Licken franchise owner George Sombonos brought an application to expunge the McDonald's trademark in 1993, when the law still stated that a trademark should be used

MA 4/9/95 (62)  
within five years of registration or risk being appropriated.

McDonald's claimed apartheid and US sanction legislation brought about "special circumstances" during the late 1980s and early 1990s which prevented it from carrying out its intentions to trade in SA, even though its trademarks had been registered in SA for about 25 years.

Despite the pending court case, McDonald's earlier this year set the wheels in motion to trade in the country.

Judge Brian Southwood heard that premises had been secured in Johannesburg and Cape Town and businessmen were being trained to run franchises. But Sombonos' legal team argued that citing sanctions as an excuse for not trading in SA was a red herring and afterthought.

ANC gear up for mass

**BUSINESS**

# Pepsi ahead in cola war?

*sowetan 7/9/95*

(62) ~~(62)~~  
Khehla Mthembu's guerilla tactics seem to be paying off in coke war

**By Mzimkulu Malunga**

**T**HE WELL-PUBLICISED "cola war" has begun in earnest and it looks as if newcomers Pepsi are beating their stronger rivals Coca-Cola.

A *Sowetan* survey among major soft-drink wholesalers in Soweto shows that the demand for Pepsi is on the rise while Coca-Cola is declining.

During the investigations, *Sowetan* learned that wholesalers who distribute only Coke products after Pepsi's return are now distributing Pepsi due to the demand.

Although Soweto is not representative of the entire Witwatersrand area - the only region where both Coca-Cola and Pepsi products are available - the township is a significant part of the market, say soft drink market analysts.

The decline in the demand for Coke products in Soweto varies from one wholesaler to another, but it appears to have been sharper at larger distributors.

One wholesaler says he used to buy ten truckloads of Coca-Cola a week, but now he is buying only three. "At times it comes down to two," he adds.

On the other hand, says the same wholesaler, he is purchasing about eight truckloads of Pepsi products a week. "Pepsi is number one here."

Smaller wholesalers who used to buy an average of three truck loads of Coca-Cola a week say they are now down to

one consignment a week.

Meanwhile, they are buying three truckloads of Pepsi's products a week.

Coke's officials admit that Pepsi has done well since it came on the market.

Amalgamated Beverage Industries managing director Trent Odgers says initially when Pepsi came onto the market, sales were "considerably down", but they are steadily climbing back.

He says his company is not selling what it used to sell before Pepsi re-entered the market.

However, Odgers is quick to point out that this is what normally happens if a new competitor enters the market.

ABI is one of the major companies that produce and distribute Coca-Cola products in South Africa.

The producers of Pepsi products in this country, New Age Beverages, are excited about their success in the market place so far.

New Age chief operations officer, Monwabisi Fandeso, says it is not time to claim victories yet.

However, he believes their success is not an accident and is confident that it will be sustainable.

"We are encouraged by the way our products have been received in the market," he says.

The company's chairman, Khehla Mthembu, has been quoted as saying his company is employing "corporate guerilla" tactics to fight the cola war.

# Position of Eastern Cape 'exaggerated'

Theo Rawana and  
Normavenda Mathiane

REPORTS that Eastern Cape government finances were at crisis levels were exaggerated and calls for premier Raymond Mhlaba to be replaced were uncalled for, provincial finance MEC Sheperd Mayatula said yesterday.

In a report to the parliamentary public accounts committee last week, Mayatula had appealed for central government to get involved in addressing financial problems inherited from the former Transkei and Ciskei.

The committee had summoned Eastern Cape government officials to answer criticisms contained in the auditor-general's report on the former TBVC states.

All political parties criticised the provincial government for its failure, after 16 months in power, to devise a comprehensive plan to tackle widespread corruption and the breakdown of services in the former Transkei and Ciskei.

Mayatula had appealed to central government to treat the area as a "crisis area", saying firefighting action was needed. He said yesterday his report involved backlogs inherited from the former states, but it was blown out of proportion.

What the report said was that cen-

tral government had not given financial support to Transkei and Ciskei. The result was that we had a R400m backlog since we took over."

A lack of funds meant there had been no development, and hospital services could not be maintained. No bookkeeping had been done since 1987.

Mayatula said newspaper reports left out part of the report where it stated his government had engaged two auditing firms to look at the extent of the damage and close the books on the territories by November 15.

"We cannot be held responsible for that," Mayatula said.

He said the reported PAC call for Mhlaba to resign and be replaced was "uncalled for".

The warring factions in the Eastern Cape and the lack of leadership of Mhlaba were some of the problems that were making that province ungovernable.

A senior ANC member working for a parastatal said Mhlaba lacked drive and vision and was surrounded by equally incapable people.

"Mhlaba does not exude leadership qualities, and he does not carry himself as someone who knows what he is doing. What the province needs is a young, dynamic person such as the speaker (of the provincial legislature) Gugile Nkwinti," he said.

# US law firm opens SA branch

Susan Russell

LEADING US law firm White & Case has extended its operations to Johannesburg, making it the first international legal firm to open an office in SA in the wake of last year's elections.

The 580-lawyer firm, founded in New York in 1901, already has 27 offices in 23 countries across Europe, North America, Latin America, Africa, Asia and the Middle East. A spokesman for White & Case said yesterday the firm had been expanding in emerging market economies and had also recently opened offices in India, Vietnam and Kazakhstan.

Its Johannesburg office, the 28th for the firm, will be staffed by three of the firm's lawyers who, acting as international legal consultants, will assist local companies with their international financing and operations.

White & Case will also facilitate foreign investment in SA and represent companies involved in international dispute resolution procedures.

One of the three lawyers in the Johannesburg office will be SA born Enos Banda, a member of the New York Bar and who has been based in White & Case's New York office.

Banda will work with two of the firm's partners Ron Goodman and Darryl Deaktor.

Goodman has been transferred from the firm's Paris office and was experienced in international arbitration, mediation and construction law, the firm's spokesman said.

Deaktor, who specialises in corporate and capital markets practice, is a member of the Florida, New York and Pennsylvania Bars and will leave White & Case's Miami office to take up his position in Johannesburg.

White & Case's spokesman said the areas in which the firm was active included international capital markets, mergers and acquisitions, international commodities and trade, international construction and engineering law as well as international litigation and arbitration.



## COMPANIES

## A 'wiser' Pepsi keeping mum

80 12/9/95

(62) (S)

Beatrix Payne

IT HAS been almost a year since Pepsi reopened its doors in SA, but franchise holders New Age Beverages' (NAB) chairman Kehla Mthembu is even less willing to say anything about the company than he was 12 months ago.

Around this time last year up to 3 000 angry workseekers, expecting the multinational to return to SA with plenty of job opportunities, picketed the plant and periodically disrupted deliveries.

At the time Mthembu was embarrassed and angered by the media focus on the protests which undoubtedly cast a shadow over the group's glitzy launch at the Standard Bank Arena.

By that time the plant was employing a staff on-site of about 150.

"We have become wiser since then but we cannot reveal our strategy. That is the lesson we learnt from Germiston," he says. In fact, he reveals very little now and will not talk of sales volumes, capacity utilisation or future expansion plans.

However, it is expected that plans to develop operations in Natal will be unveiled at the end of the year.

Mthembu's evasiveness is the luxury of a private company, but it reflects also the competitive nature of the cola market.

Coca-Cola sales are disclosed because the local bottlers are forced to do so as public companies.

Indications are that the US investors who dug into their wallets to fund Pepsi and NAB, including Whitney Houston and OJ Simpson's lawyer Johnnie Cochran, see themselves with a long-term investment — a way of saying returns will be minimal to negative over the next few years.

Mthembu denies this. "Everyone is comfortable with the return on investment. This is a start-up, yes, but they are getting good returns. As to how and when, I cannot tell you," he says, again using confidentiality as his shield.

And this will remain the excuse until the group is listed. Flotation is on the cards but there are no definite plans as yet.

Analysts' bets that the investment of R400m over the next three years would not be enough have proved correct.

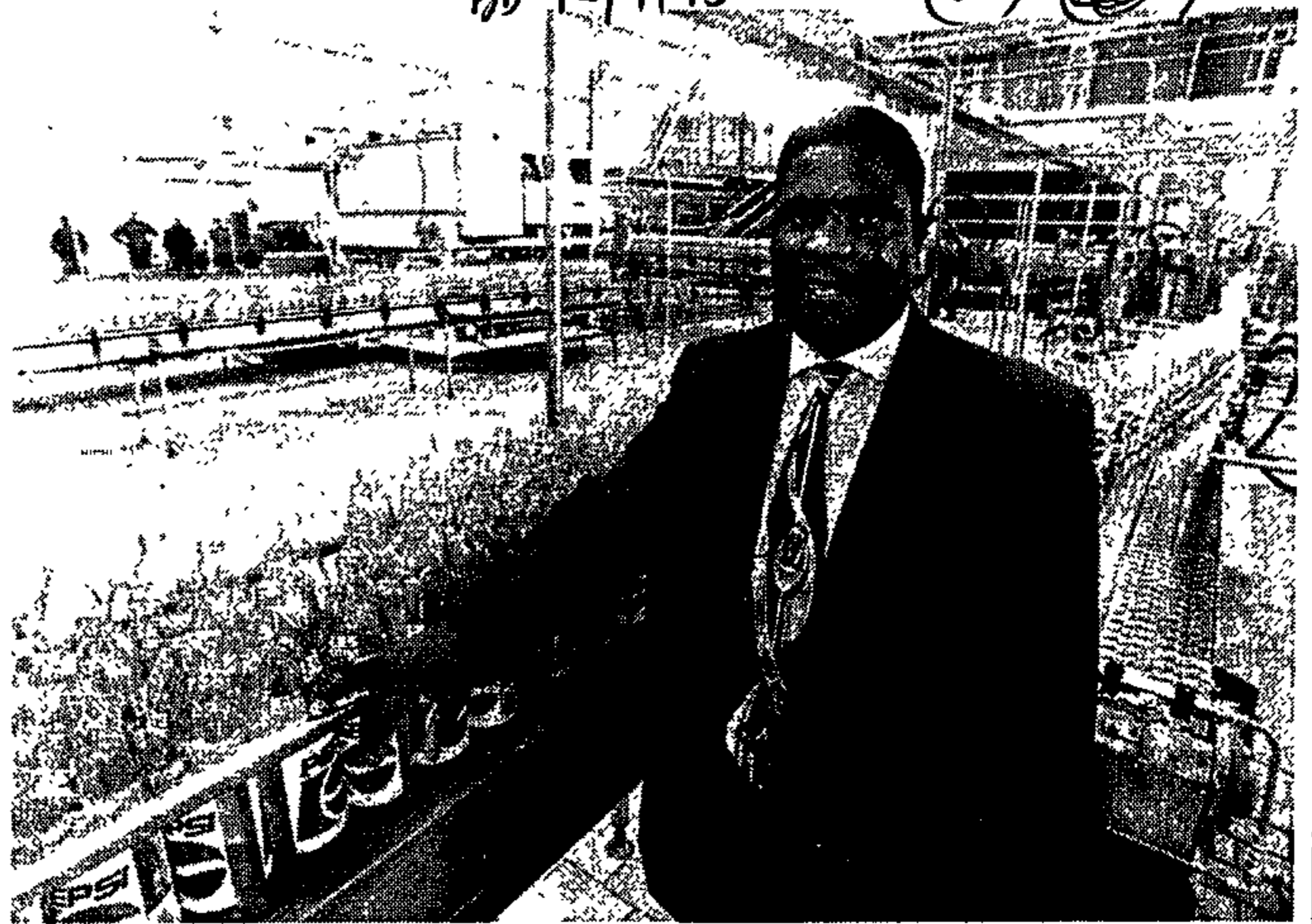
Because of the demand over the past 12 months, the group has increased its forecast capital expenditure planned for the next two years.

It stated last year that R400m would be invested in the SA operations by mid-1997. Mthembu says that has now been increased to somewhere between R400m and R800m.

He says the group intends to open other factories in Gauteng to decentralise its operations and make them as close to the market as possible.

But decentralising its Gauteng operations will not herald the rationalisation of its Germiston plant. The factory was trebled in size recently and a number of new bottling lines installed.

The plant is not yet working at full capacity but the bottling lines opened late last



New Age Beverages chairman Kehla Mthembu at the opening of the Pepsi bottling plant in Germiston in November last year.

Picture: NICKY DE BLOIS

year are operating at 100%.

"Any factory that operates at full capacity could be limiting its market," he says.

Demand is likely to increase during the summer holiday months of November and December. The company needs additional capacity to avoid being caught in a similar situation to last year, when the sudden rise in demand took it by surprise.

That proved expensive, and volumes for the year were double the initial targets, forcing the group to import bottles from South America.

"It is more expensive to import and that is a serious concern.

"We never wanted to go outside SA but the local industry could not meet our demands," Mthembu says.

However, recent discussions with packaging groups such as Consol indicated that most bottles would be made in SA by early next year.

The group based its volume targets on what it wanted to achieve rather than on how far it could dent Coke's market share, he says. He believes an obsession with market share is "short-sighted as you are not looking at yourself but focusing on what the other guy does".

He says: "We don't plan their downfall but rather our own, building, and if that dents the competition, then so be it."

And with a surprising lack of belligerence Mthembu congratulates Amalgamated Beverage Industries — SA's largest Coke bottler — on its 17% rise in sales for the year to March.

He praises them for expanding the market. "The biggest challenge and the biggest opportunity lies in changing people's drinking habits. In some areas families consume

only one litre of cola a day.

"This could rise to six if cola were to replace tea and other beverages."

There is no doubt that during Pepsi's absence from SA Coca-Cola was able to exert a virtual monopoly over cola advertising.

Coke holds the rights to advertise and sell its products at nearly all of SA's sports stadiums and no other cola may be stored in Coca-Cola fridges.

"Before we started we knew there were these issues so they did not pose problems for us. My emphasis has been to enter with a new trend in marketing and we have managed to increase our profile without going through the normal channels. We surprised the market by not advertising on television.

"Our's is a marketing strategy that relates to people where they live. Kids in Bryanston were as excited about the launch as kids in Soweto."

During the labour disruptions last year Mthembu spoke of "hidden hands and hidden agendas", but now he is not prepared to point fingers.

Earlier this year a commission of inquiry was set up by Pepsi and the workseekers to look into the circumstances of the protests. The inquiry has since fallen through, but Mthembu is quite happy. "At this stage no one knows who was behind it and we do not want to know.

"This year will be tougher than last as we expand into new markets, but we have learnt a lot and have got a lot wiser," Mthembu says.

Unfortunately, only the shareholders present at the quarterly board meeting today will be able to judge from the financial statements exactly how much wiser Pepsi has become.

Haasard

MONDAY, 11 SEPTEMBER 1995

1788

QUESTIONS

Indicates translated version.

Non written reply:

American companies investing in SA

57. Mr D de V GRAAFF asked the Minister of Trade and Industry:

- (a) How many American companies had invested in South Africa as at the latest specified date for which information is available and
- (b) what is the total (i) amount of capital invested and (ii) number of employees employed by these companies?

N767E

The MINISTER OF TRADE AND INDUSTRY:

Considerable efforts have been made to investigate whether existing South African Reserve Bank (SARB) records could be analysed to trace foreign Direct Investment (FDI) by examining the standard application forms for foreign exchange transactions through the Financial Rand (FR) which are stored at the SARB. However, as most investments made in South Africa during this period were being scrutinised by various international organisations to ascertain whether disinvestment laws or prohibitions on new investments in South Africa have been observed, those companies that did invest during the existence of the FR, channelled their investments through front companies via third countries. This use of fictitious names makes it impossible to trace an investment to either a parent company or the true country of origin. The USA companies which had disinvested during this period or hid their investment through various means, also complicated the task of ascertaining the level of direct USA investment in South Africa. As a result, whilst existing records on FR transactions at the SARB could be analysed, the results would be so inconclusive as to make this exercise futile.

At the request of the Cabinet, the SARB and the Department of Trade and Industry are in the process of finalising a more comprehensive recording and reporting system for FDI. It is hoped that more detailed data should start becoming available on a monthly basis towards the end of the year whilst the historical investment position will be recorded through a census

planned by the Reserve Bank. A complete investment tracking record should be available by the end of 1996.

Information gathered in the meantime from a number of sources, including the USA Embassy in the RSA, the South African Reserve Bank and the South African Embassy in Washington indicate the following:

- (a) Over the past three years it is estimated that the number of American companies operating in South Africa rose from 184 to over 500 of which more than 200 have invested in manufacturing sectors.

(b) (i) The Investor Responsibility Research Centre of the USA estimates that the value of total direct investment in South Africa by American companies is US\$3 580 million (R13 084 million). According to the South African Reserve Bank, total investment (direct and indirect) from the USA at the end of 1993 was R26 305 million; and

- (ii) it is estimated that USA companies employ some 45 000 people in South Africa.

Employees of SANDF: membership of trade unions

418. Mr D H M GIBSON asked the Minister of Defence: *Haasard 11/9/95*

- (1) Whether any employees of the South African National Defence Force are members of trade unions; if so, (a) how many and (b) which trade unions represent employees of the SANDF;
- (2) whether all employees of the SANDF are able to join trade unions; if not, (a) which employees are not permitted to join trade unions and (b) why are they not permitted to do so?

N892E

The MINISTER OF DEFENCE:

- (1) Yes, however, a distinction must be made between civilian employees of the SA National Defence Force and members in uniform.

## US invests in SA

(b2) (S) ~~(S)~~  
Direct investment by American companies in South Africa totalled R13 084-million, Trade and Industry Minister Trevor Manuel said yesterday. About 500 US firms were now operating in the country, up from 184 three years ago, he said in reply to a question from David Graaff (NP). - Sapa

Stan 13/9/95

# Levi's charity is in its genes

Levi Strauss & Co clothes itself in a charitable fashion reports **Reg Rumney**

**G**iant apparel company Levi Strauss & Co and its associated foundation plan to spend just under \$300 000 this year in charitable giving in South Africa.

Director for Europe and Africa of the Levi Strauss Foundation Alan Christie revealed this in a speech at the Mail & Guardian and NNTV Investing in the Future Award breakfast function at the South African Broadcasting Corporation in Auckland Park, Johannesburg, on Friday last week.

Christie handed a plaque over to Freegold chairman Clem Sunter on behalf of co-sponsors the Mail & Guardian and television channel NNTV. Freegold won the award for their role in the Kutiwanong housing project near Odendaalsrus.

The award, which aims to give public recognition to social investment, is accompanied each year by the Mail & Guardian Investing in the Future Supplement, which covers social investment issues.

This year the supplement reported in detail on the six finalist projects. Those projects, and the award judging process, will also be the subject of an in-depth documentary to be screened on NNTV on October 4 at 7.30 pm. The documentary, filmed by Mail & Guardian TV, was commissioned by NNTV.

Worldwide giving by Levi Strauss and the Levi Strauss Foundation will be \$17-million this year, he said.

Christie noted Levi Strauss had only recently returned to South Africa after pulling out of the country in response to calls to boycott the country.

The company resisted pressure to return quickly. Some employees and consumers saw investment in the New South Africa almost as "a test of our political correctness," Christie said.

The decision to invest was driven, not only by the prospect of viability, but also by a judgment about the social and political circumstances of the new South Africa.

"That was a judgment driven by our corporate values — by the ethical principles which underpin all of our business decisions.

"The Mission Statement of Levi Strauss and Company states that our task is ... to sustain responsible

commercial success... and that we will conduct our business ethically and demonstrate leadership satisfying our responsibilities to our communities and to society".

"In these two statements we try to encapsulate a corporate tradition which can be traced back over 140 years to Levi Strauss himself.

"It describes an approach to business which looks beyond the bottom line. It speaks to corporate values which describe the way we choose to do business and which we believe are important contributors to the success we enjoy.

"When cynics hear us talk in this way about ethics and values and social responsibility, they mock us and dismiss us as a bunch of woolly do-gooders who should get on with the business of business.

"Our response is that Levi's is a \$6-billion company, the largest branded apparel company in the world and the clear market leader in jeanswear; We just happen to believe social responsibility is the business of business and that our success has been built, in part, on our adherence to our values.

"Cynics also say that it is easy for Levi's to be ethical because we are a private company that doesn't need to

satisfy public stockholders and investment analysts. Maybe so, but on the other hand there aren't many public companies that would turn down the growth we have enjoyed over the last eight years."

Levi Strauss rejected the approach that saw social responsibility as a marketing tool divorced from the community and designed for short-term commercial gain.

The company stressed partnership in its social investment, Christie said.

"We don't think you can or should 'brand' social responsibility. We are grateful for any recognition we receive for the work we do in the community but our aim is to do the work, not get the recognition.

"I think that more and more companies recognise the validity of that approach and we are willing to play their part as corporate citizens in addressing the problems faced by our communities," he concluded.

Levi's had identified three priorities for its social investment: community economic development; AIDS and disease prevention; and social justice.

Levi's worked in partnership with community-based, not-for-profit organisations which serve low-

income and disadvantaged people, and tried to support organisations that involve the people being served so that they have some say in the services delivered. The foundation was also prepared to support new, ground-breaking initiatives.

The initial focus of Levi's social investment in South Africa is on young people and women and those excluded and oppressed by apartheid.

Christie mentioned some of Levi's supported projects:

● Levi's is the lead sponsor of a photo exhibition, called "Positive Lives", which opened in the National Gallery of South Africa in July. It describes various experiences of people living with HIV and AIDS.

● Levi's is helping to fund a job-creation project in Cape Town.

● Levi's will fund a home for children with AIDS, a tuberculosis prevention programme and several other small-scale community help projects in the Cape Town area.

"Later this year we hope to co-sponsor a conference in Johannesburg that will focus on the support needed by small business and the help that can be offered by the private sector and others to a part of the economy that we suspect will be of importance to the future of large numbers of people in this country."

Levi's also has a policy of encouraging employee involvement in the community, and will ask them to help direct some of its social investment.

# McDonald's SA 'roof wetting'

Stephané Bothma

BD 3/10/95 (62)

about 25 years ago.

McDONALD's is pushing full-steam ahead to open its first SA outlet, despite a pending legal battle which could prevent the leading US fast-food company from using its trademark in the country.

On Thursday McDonald's will hold a function for its first SA restaurant, to open in Blackheath, Randburg, in November.

A McDonald's spokesman yesterday said that Thursday's function was only "a roof wetting of the building". Opening was planned for next month. He would not comment on the pending court case.

A second outlet is being planned for Cape Town.

The Transvaal Supreme Court has still to decide if McDonald's owned the trademark which the US company registered in SA

Judgment is expected next week on an application by two local businessmen to expunge the McDonald's trademark, on the grounds of non-use. Chicken Licken franchise owner George Sombonos, trading as Joburgers Drive-In Restaurant, and Durban-based Dax Prop are applying to the Supreme Court for the appropriation of the trademark under SA's old Trademarks Act, claiming that McDonald's never intended to use the name locally.

Joburgers lawyer Shaun Ryan said yesterday the pending court case did not prevent McDonald's from trading or advertising in SA.

"But, should the court find against McDonald's and we become the owners of the trademark, McDonald's will have to stop using it locally," Ryan said.

# McDonald's investment 'big'

BY PETER GALLI

FEATURES EDITOR

McDonald's has invested a "substantial" amount of money in its first two restaurants, set to open in the Randburg suburb of Blackheath in Gauteng and in Tyger Valley in Cape Town next month, Carter Drew, the president and managing director of the South African operation, said yesterday.

He declined to disclose the actual figure, but said the fact that the company was opening two 250-seater restaurants indicated the nature of its investment. The restaurants would be leased and operated by franchisees, to be appointed shortly.

This commitment comes despite the

fact that the court case regarding its trademark has not been concluded. McDonald's registered the trademark years ago but never used it in this country.

George Sombonos, the managing director of Chicken Licken, is currently attempting to have McDonald's stripped of its South African registered trademarks on the grounds of non-use.

When asked whether McDonald's was not trying to influence a court decision by proceeding with its developments, Drew said this was "one way of looking at it", but said the decision to go ahead reflected its commitment to South Africa.

He also declined to name the suppliers of its products, saying final approval of the products was under way and that an

announcement in this regard would be made towards the middle of this month. The Blackheath restaurant will seat 250 customers and will feature a drive-through facility.

This means that customers who do not wish to eat on the premises will not have to leave their cars. They will order at one window, drive on and pay at another, with their order ready for collection at a third window. This will keep delays to a minimum and the traffic flow consistent, Drew said. "We chose the Blackheath and Tyger Valley locations as they are high traffic areas. The success of these first two restaurants will determine our future development plans, but we are very excited about the potential of the South African market."

CT(DR) 6/10/95

(62)

# Nabisco buys back into Royal Beech-Nut

ET(BR)6/10/95(62)

By ANDY DUFFY

STAFF WRITER

Nabisco, an American snacks giant, has ended its six-year, self-imposed exile, paying R85,1 million for a 50 percent stake in Anglo American's Royal Beech-Nut.

The \$7,7 billion-a-year group, which sold Royal Beech-Nut in 1989, will take control of Royal Beech-Nut's management in the deal, while opening the door to new technology and export markets.

The deal follows months of talks with Royal Beech-Nut's parent, the

Anglo-owned Del Monte Royal Foods (Delfood).

Vivian Imerman, the chairman of Delfood, said yesterday that the transaction would lift earnings from next year, though the real benefits would be felt in the long term.

"Royal Beech-Nut will now enjoy access to world-class technology and know-how," he said.

"It will also benefit from an ability to export its branded products to the European, African and middle and far eastern markets."

Nabisco is the ninth-largest packaged food company in the

world, selling products ranging from crackers to steak sauce.

It has sales and distribution activities in 85 countries and spends more than \$1,2 billion a year on marketing — nearly three times the figure for Delfood's annual sales.

Royal Beech-Nut does not release earnings figures, but the company's annual sales are about R250 million.

Delfood's shares have underperformed on the JSE.

They have been pulled down by a disappointing performance which left earnings 33 percent lower at

R60,1 million for the six months to June.

Its share price closed 25c ahead at 525c yesterday, against January's year-high of 750c.

Julian Ogilvie Thompson, the chairman of Anglo American, took the opportunity once again to bang the drum for big business.

"The extent to which Anglo American companies have facilitated and continue to facilitate international investment in South Africa belies allegations that large companies in South Africa inhibit such investment," he said.

# Ilco reports R12,7m loss

CT(BR) 6/10/95 ~~12/3/95~~

By FRANÇOISE BOTHA

STAFF WRITER

Ilco Homes reported a loss after tax of R12,7 million, or 39c a share, for the year ending June 30 after high interest charges and substantial write-offs of stock and work in progress.

The company also released revised results for the year ending June 1994, showing that the previously reported after-tax profit of R2,9 million had been reduced to a

loss of R5,85 million. The results are restated because of the takeover of Ilco by Pro Mark Network, a wholly owned subsidiary of Monex Development.

No dividend has been declared.

Operating income shows an increase to R3,2 million (1994: revised R1,8m from R9,7m), but includes R1,4 million in interest on loans originally made for R8,8 million to technically insolvent subsidiaries. In a bid to limit losses, the company had started downsizing, which entailed clos-

ing non-performing operations and retrenching staff, the directors said.

Chairman Martin Wragge said last night that certain items of stock had been disposed of and other assets had been written down to realisable values.

The results reflect a change in accounting policy in terms of which overheads that apply to land will no longer be capitalised. This resulted in R9,5 million being costed against the current year and an adjustment to retained income of R15,6 million.

# Champion parent reinvests

By ROY COKAYNE

PRETORIA BUSINESS EDITOR

Texas-based Cooper Industries, the parent company of Champion spark plugs which disinvested from South Africa in 1989, has reinvested in the country by acquiring the Trichamp operation of Murray & Roberts for an undisclosed amount.

The deal was effective from October 1 this year.

The company will be known as

Cooper Automotive of South Africa but will continue to trade as Trichamp until further notice.

Cooper Industries is a \$4,6 billion revenue company listed on the New York Stock Exchange. It is a diversified, worldwide manufacturer of electrical products, tools, hardware and automotive products.

Since its disinvestment from South Africa, Trichamp has been an independent licensee of Champion Spark Plugs. Trichamp manufactures

and sells wiper blades, ignition leads, lighting products and Champion brand spark plugs for the automotive industry.

"The Trichamp acquisition gives us an opportunity to participate directly in the growing automotive components markets in southern Africa and will enable us to introduce other automotive product lines to this region," said John Riley, the president and chief executive officer of Cooper Industries.

(62) CT(BR) 6/10/95



# Now Manuel enters big scrap over Big Mac

By ELIZABETH KINGHORN  
and BRONWYN WILKINSON

Trade and Industry Minister Trevor Manuel has indicated he will urge the Justice Ministry to arrange an early hearing for fast food giant McDonald's appeal against yesterday's Supreme Court ruling allowing two South African fast food companies to trade under the American group's name.

In a statement yesterday, Manuel said his decision was "due to the pressing nature of this matter and the implications which it holds for South African



trade relations with the US".

Manuel said his department had been engaged in attempts over the past two months at resolving a dispute between the US trade representative and South Africa on the question of well-known US trade marks which were not used during the

sanctions era in South Africa.

"It is important to note that the judicial process has not run its course as McDonald's US intends lodging an appeal... the minister of trade and industry has indicated his intention to approach the minister of justice in an attempt to arrange for an early hearing of this appeal," the statement said.

The Pretoria Supreme Court found yesterday that the use of the name by the two South African competitors did not contravene legislation applicable when the trade marks were registered.

# Fast-food giant McDonald's loses SA trademark bid

PRETORIA. — McDonald's fast-food chain has lost its fight in the Supreme Court here to stop two South African firms from having its trademarks removed from the South African Register of Trademarks.

The two local firms argued that the trademarks had not been used in the country for years.

Mr Justice B Southwood dismissed an application by McDonald's to interdict Joburgers Drive-In Restaurant (Pty) Ltd and Dax CC from imitating, reproducing or transmitting the "internationally famous" McDonald's trademarks.

He said McDonald's trademarks might be well known wherever it conducted business, but that did not necessarily mean the trademarks were well known in South Africa.

Instead, the judge granted applications by Joburgers and Dax to expunge the US company's trade-

marks from the local register. Both Joburgers (owned by Chicken Licken franchise owner George Sombonos) and Dax have applied for the registration of McDonald's trademarks.

The judge said the two local firms were correct in their argument that McDonald's had registered its trademarks without any real intention of using them, and had in fact not used the marks up to September 1994.

"It is clear that at the dates of the various registrations (McDonald's has registered 52 trademarks in SA since 1968) McDonald's had not decided to commence business in South Africa and that no person had been identified as the person who would use the trademarks.

"McDonald's evidence that political pressure and sanctions legislation before 1988 prevented it from doing business in South Africa can-

not be accepted," the judge said. "The evidence shows that the real reason why McDonald's did not extend its business to South Africa was the fact that it was concentrating on its own major markets and did not yet have any plans to extend its business to South Africa."

Mr Justice Southwood added that it was clear from McDonald's evidence that it could have traded in SA and used its trademarks by either investing in black-owned business or by entering developmental licence agreements with black or white entrepreneurs. Instead, the company chose not to do so.

McDonald's had systematically abused the registration process, the judge said.

The company had tried to rely on special circumstances when this was not the true reason for its failure to use its trademarks.

The US embassy reacted shortly

after the court decision, saying the US was surprised, dismayed and concerned by the verdict. It said in a statement it understood McDonald's intended appealing against the decision.

McDonald's said in a statement it was disappointed with the court decision to expunge its trademarks on the eve of the opening of the first two McDonald's restaurants in South Africa, in Johannesburg and Cape Town.

"These restaurants will open in November and will be operated by South African franchisees.

"We are confident that the rightful ownership of our world-famous trademarks in South Africa will ultimately be confirmed, either by a reversal of this decision on appeal or by re-registration of our marks by the South African trademark office, applications for which have already been filed." — Sapa.

(62) ST (PST) 8/10/95

# Manuel pledges support for McDonald's appeal

By MARCIA KLEIN

THE government reacted swiftly over the weekend to prevent a damaging trade row with the US after fast food giant McDonald's lost its court bid to protect its famous trademark in South Africa.

Trade and Industry Minister Trevor Manuel said in a statement he would try to facilitate an early appeal hearing for McDonald's.

"It is our belief that foreign companies are entitled to proper intellectual protection in South Africa," he said.

South Africa is on the US Trade Representative's list of countries that do not give adequate protection to US intellectual property and trademarks.

The US Embassy said it was "surprised and dismayed about the court verdict". McDonald's application to stop a local company from using its trademark was dismissed with costs in the Pretoria Supreme Court. The company is linked to George Sombonos, who owns Chicken

Licken. Mr Sombonos' application to have McDonald's trademark expunged from the local register was also successful.

But McDonald's said the trademark case did not affect its right to trade in South Africa, and its first two restaurants would open in Johannesburg and Cape Town in November as planned. It would appeal against Mr Justice Brian Southwood's ruling and had already applied for its trademarks to be re-registered.

Mr Sombonos brought his application in 1993 prior to an amendment to the law to protect international brand names. McDonald's said it was confident it would regain its rights in an appeal.

Shaun Ryan, Sombonos' attorney, told Reuters the ruling meant his client had the right to the McDonald's trademark and would sue anyone infringing it.

# McDonald's will operate despite loss of trademark

BY LLEWELLYN JONES

STAFF WRITER

Friday's decision by the South African courts to expunge McDonald's trademarks would neither affect McDonald's right to trade nor its legitimate operations in South Africa, the company said in a statement at the weekend.

The decision was handed down just weeks before the opening of South Africa's first McDonald's restaurants in the Randburg suburb of Blackheath in Gauteng and in Tygervalley in Cape Town.

The managing director of Chicken Licken, George Sombonos, applied to have McDonald's stripped of its South African registered trademarks on the grounds of non-use.

## Famous

"We are confident that the rightful ownership of our world-famous trademarks in South Africa will ultimately be confirmed either by a

reversal of this decision on appeal or by re-registration of our marks by the South African trademark office, applications for which have already been filed," the statement said.

McDonald's said the dispute surrounded the registration of the trademark and not the right to carry on business in this country.

"We will continue establishing the McDonald's chain of quick service restaurants in South Africa, including the construction of restaurants, the training of franchisees and their employees, and the development of local suppliers for the food and beverage products to be served in these restaurants."

□ The first McDonald's outlet is opening in the new Blackheath Rendezvous Shopping Centre in Blackheath next month.

The centre, developed by Sanlam Properties, is the first phase of a shopping and office complex which will eventually represent an investment worth R100 million.

Swannie Swanepoel, the regional manager of Sanlam Properties in

Johannesburg, said the McDonald's would be one of the biggest in the world.

"The complex has been specially designed to accommodate McDonald's, which will stand apart from the rest of the centre.

"The appearance, outlay and style are similar to the typical McDonald's as found around the world. A road all the way around McDonald's will enable customers to place orders from their cars."

## Location

According to Robert Thompson, the development director of McDonald's in South Africa, it was decided to use these premises because of their excellent location.

"It is centrally located on the corner of DF Malan and Pendering Avenues, just across from Cresta Shopping Centre. The number of pedestrians, shoppers and bus commuters makes it an excellent position for the purposes of McDonald's," said Thompson.

(62) CT (BR) 9/10/95

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## Brand name battle continues

(b2) BD 9/10/95  
Renee Grawitzky

McDONALD's Corporation will still go ahead with the opening of two outlets in November despite the Transvaal Supreme Court decision last Friday preventing the fast-food outlet from operating under its own brand name.

The large US fast foods company said yesterday that this decision did not prevent the company from operating in SA and the two outlets would be run by SA franchisees.

McDonalds said that the dispute did not revolve around its operating in SA but around the registration of its trademark. It was confident "the rightful ownership of our world-famous trademarks in SA will ultimately be confirmed either by a reversal of this decision on appeal or by re-registration of our marks by the SA trademark office, applications for which have already been filed".

**Deborah Fine** reports that Friday's decision has paved the way for local competitor, Chicken Licken franchise owner, George Sombonos, to trade under the world famous McDonald's name.

Transvaal Supreme Court Judge Brian Southwood ordered that McDonald's Corporation trademarks in SA be expunged.

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## Big Mac decision irks

New York - The world's largest trademark association has reacted strongly to Friday's decision in the Pretoria Supreme Court allowing two South African fast-food companies to trade under the name of the giant McDonald's company.

The court ruled McDonald's registered 53 trademarks in the 1960s but had no intention of using them. In the 1980s local entrepreneurs registered their own McDonald's trademark and started trading under this name.

The International Trademark Association (INTA) said it was very

(62)  
disappointed in the interpretation of the Trademarks Act in the McDonald's case.

In a statement released in New York, INTA said the decision was inconsistent with the major trend in common-law countries to provide protection for trademarks that had acquired a reputation or were well known in local jurisdictions, even without any local business activity.

Trade and Industries Minister Trevor Manuel has expressed disappointment with the court ruling and said he supported a speedy appeal. - Sapa, Staff Reporter.

Star 10/10/95

## Now SA measures up! Proof's in the Big Mac

(62) ARG 12/10/95  
VANCOUVER. — The McDonald hamburger chain's move into South Africa sets the country firmly on the road to full re-entry into the world community, the Vancouver Sun said.

Couched in light vein, an editorial said McDonald's emergence in South Africa "marks a significant step" on the re-entry road in more ways "than the ubiquitous global popularity of hamburgers might suggest".

The Sun noted the influential British magazine The Economist "audaciously uses the price of a Big Mac (hamburger) in each country" as an indicator of income levels and comparative values of different currencies.

The editorial continues: "What began as a bit of an in-house joke came to be regarded as a rather useful measuring stick of purchasing power." Thus, with McDonald's in their midst, South Africans should be able to compare their prosperity with those of 84 other countries where the US-based fast-food firm has outlets.

But South Africa now faced a new element of discrimination — "Customers will have to discriminate (between) a Big Mac and a double cheeseburger," the editorial concluded. — Sapa.

# Outcry over ruling on Big Mac trademark

CT(MR) 13/10/95 (62)

BY THABO LESHILO

STAFF WRITER

The National Black Business Caucus is disappointed by last week's Supreme Court decision to expunge the trademark of McDonald's, the American fast food company,

Danisa Baloyi, the executive director of the caucus, said the move could discourage overseas investment and hurt efforts to promote black empowerment.

"If McDonald's refused to oper-

ate in this country in support of our struggle during the dark days of apartheid and now wants to invest and create thousands of jobs, particularly for blacks, why should we let others stop those much-needed dollars and jobs?" she asked.

The Pretoria Supreme Court expunged the McDonald's trademark in South Africa and allowed George Sombonos, who is the head of Chicken Licken and Dax Prop, and runs a restaurant called McDonald's in Durban, to use the

trademark. It said that his use of the American company's name did not contravene the law at the time they registered their trademarks.

Trevor Manuel, the minister of trade and industry, wants the hearing of McDonald's appeal expedited because of the pressing nature of the matter and its implications for trade relations with America.

Meanwhile, McDonald's is going ahead with plans to open a string of outlets in South Africa, starting in Tyger Valley and Randburg.



# Chrysler clarifies plans for its return

John Dlodlu

US CAR maker Chrysler yesterday announced scaled-back plans to return to SA next year after a 13-year absence, ending months of speculation about its intentions.

The company said it would start selling the Jeep Cherokee and Jeep Grand Cherokees in SA in the second quarter of next year.

"The Cherokee will be sourced out of the plant in Toledo, Ohio; the Grand Cherokee will come out of the Graz, Austria plant."

The firm's product line would be completed in two years with the introduction of the Neon compact car, the Wrangler sport utility vehicle and Chrysler's industry leading minivan. A direct dealer net-

work supported by a regional sales office would be established.

Chrysler Latin America and Africa operations GM Jonathan Holcomb said SA was the dominant market in Africa. "We believe that it will have greater potential for larger volume growth in excess of 300 000 units annually."

At launch the firm would have dealers in Bloemfontein, Cape Town, Durban, East London, Johannesburg and Port Elizabeth.

Initially the company hoped to sell about 3 000 units a year, growing to 10 000 by 2000.

Company spokesman Jodi Armstrong said the investment would be minimal — an office of seven people.

While the company recognised

the importance placed by the SA government on black economic empowerment, this would not feature in initial plans. "We'll be dealing with established motor groups," she said.

Earlier reports said it hoped to re-enter SA through a joint venture with a local manufacturer and a black business group.

Armstrong said importing completely built up cars fitted in well with the corporation's strategy. It was cost-effective and efficient.

Before its pullout the company assembled vehicles in SA.

On SA's tariff structure, she said Chrysler considered the market liberal under the new motor industry development plan. "We hope we'll be price competitive."

(62) (62) BA 19/10/95

# Dell Computers in SA to sell direct to consumer

(62) (BR) 19/10/95

BY JENNIGAY COETZER

American computer manufacturer Dell Computers officially launches its South African operation next week and is setting its sights on grabbing a significant portion of information technology market in the South African corporate market.

Michael Lehrter, the managing director, said Dell plans to replicate its international business model here and deal direct instead of selling product through the traditional distribution channel.

"We provide corporates with hotline support, remote diagnosis and advanced notice of new products. Our sophisticated client tracking system enables us to be proactive to their needs," he said.

Unlike the traditional information technology distribution channel which creates inventory backlogs of anything up to 90 days, Dell's direct model has enabled the company to mass produce customised products to meet specific customer needs without holding

large finished-goods inventories, said Lehrter.

"Every product is custom built, with delivery within 10 to 15 working days.

"It gives us the ability to sell products at between 5 percent and 10 percent below our major competitors," he said.

Dell's business model for selling direct to medium and large businesses has proved a winning formula internationally for the R12,8 billion company.

Lehrter said, in studying figures published by researcher BMI-Techknowledge, Dell's view of the South African market for computer purchases was realistic.

"At a potential of 370 000 PC units a year, we rate the South African market to be slightly smaller than Denmark, which is the 9th largest market in Europe.

"With this potential, our view is that if we put our business model and service style in place here in South Africa, we are bound to be successful in this market."

# Chrysler to return to South Africa

(b2) (b7C)

BY ROY COKAYNE

PRETORIA BUSINESS EDITOR

ET(OR) 19/10/95

Chrysler Corporation, which disinvested from South Africa in 1983, will return to the country in the second quarter of next year through the establishment of a direct dealer network supported by a regional sales office.

Jonathan Holcomb, the general manager of Chrysler's Latin American, Middle Eastern and African operations, said Chrysler initially planned to sell about 3 000 units a year but that this could grow to almost 10 000 vehicles.

Holcomb said Chrysler believed the South African market had the potential for volume growth well in excess of 300 000 units annually.

The Jeep Cherokee and Jeep Grand Cherokee will be the first vehicles available.

The Cherokee will be sourced from Toledo, Ohio, while the Grand Cherokee will come from Graz, Austria.

Over the next two years Chrysler will introduce the Neon compact car, the Wrangler sport utility vehicle and Chrysler's industry-leading minivan.

Chrysler previously assembled vehicles here. It withdrew from South Africa and other international markets because of financial difficulties caused by a declining American car market and in support of the American government's actions against apartheid.

When Chrysler is relaunched, it will have dealers in Johannesburg, Cape Town, Durban, Bloemfontein, East London and Port Elizabeth.

This does not mean Chrysler will only have six dealerships — it is expected to have more than one dealership in some of these centres.

Motor industry sources said they were surprised that Chrysler, like Hyundai, had opted for a direct dealer network, which is costly to establish, instead of linking up with one of the retail groups in South Africa.

# McDonalds row may delay US trade deal

BY BRUCE CAMERON AND PETER FABRICIUS

Washington — The ongoing dispute over McDonalds' and other trademarks in South Africa is likely to delay the signing of a multi-billion rand bilateral preferential trade agreement between South Africa and the United States.

The protection of intellectual property rights forms a key part of the draft agreement.

And South Africa continues to remain on the warning list of what is termed the section 301 review on intellectual property rights.

If the issue is not resolved, South Africa could be upgraded on the list

and face the possibility of retributory sanctions.

Howard Reed, the special counsel for finance to the United States Trade Representative office, said the protection of intellectual property rights had to be resolved before a trade agreement was signed.

He said the hijacking of American trademarks was wrong and hoped the McDonalds trademark issue could be settled "administratively".

His interpretation of the court ruling on the McDonalds trademark was that McDonalds had neither won nor lost the case.

He said McDonalds would

lodge an application to the Registrar of trademarks for their disputed trademarks.

Reed said he was not sure whether the trademarks could be registered while the court decision made earlier this month was on appeal.

He said he was shocked by the court's decision.

By that, he said, his department was not suggesting in any way that South Africa should bypass the legal system on such issues.

"We all have political responsibilities — they include defusing an issue like this — when the opportunity presents itself," he said.

CT(BR)19/10/95 (70) (b2)

(70)

# World property firm now in SA

Property Reporter

(62)  
ARG 21/10/95

ONE of the largest property organisations in the world, Colliers International, was launched in Africa this week when the company's president announced Colliers RMS as its latest member.

Colliers RMS, formerly RMS Syfrets, is now uniquely placed to consolidate its position as one of South Africa's leading independent property companies by the latest affiliation as well as the recent acquisition by Johnnies Industrial Corporation Limited (Johnnic) of 51 percent of the company.

"The International Monetary Fund (IMF) projects growth in Africa almost doubling in 1996 to 5,2 percent from three percent in 1995, as more countries develop market-orientated economies, said Boston-based Colliers International chief executive officer Stewart Forbes.

"South Africa has the capital and business experience to be an engine for growth across the continent."

"We would like to believe that Colliers facilitates the growth of world trade and regional economic development."

# McDonald's first SA

## outlets ready to roll

(ST) 22/10/95 (62)

By MARCIA KLEIN

UNDETERRED by its recent setback in the Supreme Court, which allowed a South African competitor the right to use its trademarks, fast food chain McDonald's this week announced the names of its first SA franchisees.

Reggie Skhosana and Rob Ferguson were chosen last week on completion of a training programme which took them to New Zealand and the Hamburg-er University in Oak Brook, Illinois.

Mr Skhosana is the franchisee for the Blackbeath, Randburg restaurant while Mr Ferguson has tied up the Tyger Manor, Cape Town, franchise. The two restaurants will em-

ploy a total of 180 people.

Mr Ferguson said the level of service and the ambience of the two new restaurants "will be a cultural shock for South Africans".

The restaurants have outside eating areas, nap-py-changing facilities, provision for the disabled, specials for the elderly and a supervised "playland" for children.

Mr Skhosana said there were many hamburger chains, but McDonald's distinguished itself by offering outstanding service, a unique staff attitude and cleanliness.

Mr Skhosana resigned as

manager of Nedbank's Sandton branch after re-plying to McDonald's advertisement and left South Africa in mid-May for the training programme.

Mr Ferguson, an MBA graduate, walked into McDonald's Chicago offices three years ago and said he wanted to become a franchisee. They did not forget him. He later sold his chemical manufacturing business to join the programme.

It is believed McDonald's could be granted leave to appeal next week against the Transvaal Supreme Court ruling which allowed business-man George Sombonos the right to use its trade-



FAST FOOD PIONEERS: Rob Ferguson and Reggie Skhosana, McDonald's first franchisees in South Africa  
Picture: COBUS BODENSTEIN

ne of them had abused the organ- tions as independents before Friday sation's campaign funds and party would be welcomed back into the party.

## McDonald's wins right to appeal judgment (62)

Stephané Bothma

BD 25/10/95

PRETORIA — McDonald's has been granted leave to appeal to the Appellate Division against a Transvaal Supreme Court ruling which expunged the hamburger chain trademarks from the SA trademark register. Judge Brian Southwood on October 5 rejected an application by McDonald's for an interdict preventing two businessmen trading as Joburgers Drive-in Restaurant and Dax Prop from infringing its trademark. However, Southwood yesterday granted McDonald's leave to appeal against his earlier decision.

Cedric Pucrin SC, representing McDonald's, argued the judge had erred on 56 points in his earlier finding against the international fast food franchise. Pucrin argued that Southwood had wrongfully ruled that the trademarks incorporating the word "McDonald's" were not well known in SA. He argued that a market survey, ruled not admissible, showed that most of the people interviewed had been aware of the trademark "McDonald's" in relation to fast food services, and should have been accepted as evidence.

Pucrin said the judge had been wrong to ignore all the important questions as to why Joburgers would wish to appropriate numerous trademarks used by McDonald's. The court should have found the use of the trademarks in SA by Joburgers and Dax Prop would be likely to cause deception and confusion.

"The court should have found that special circumstances, such as sanctions against SA, excused McDonald's non-use of its trademarks for a number of years," Pucrin argued. He said the court should have found that the McDonald's corporation had a bona fide intention of using its trademark in SA.

After the ruling McDonald's said that in the interim its trademark remained registered and the plans to open the first two outlets next month were proceeding. It is not known when the appeal will be heard.

## Deadline for ward rulings

Farouk Chothia

DURBAN — The special electoral court would have to rule on eight boundary disputes in KwaZulu-Natal by mid-November if local government elections were to be held in the province on March 27, local government MEC Peter Miller said yesterday.

Miller lodged papers with the registrar of the court yesterday, seeking a court ruling on the boundaries of Durban, Port Shepstone, Margate, Richards Bay, Eshowe Empangeni/Ngwelezane and Mandeni.

A court spokesman said the papers were to be studied and other parties would have to be given a chance to file responding papers.

"After two weeks we might have an indication as to when hearings will take place," the spokesman said.

The deadline for boundary and ward proclamations is the end of November.

The disputes are over whether tribal areas should be included in local authority councils.

School in Johannesburg yesterday on the stage of a bid for a new school. In the background, the school is visible. Pictures: ROBERT BOTHA

## Schools turn to debt collectors

Ingrid Salgado

BD 25/10/95

THERE had been an increase in the use of debt recovery agents in the last year by schools, universities and technikons wishing to recover academic and residence fees, Association of Debt Recovery Agents chairman Frank Thurman said yesterday.

This was probably due to the high cost of legal action to recover debt while agents worked on a "no recovery, no charge basis", Thurman said.

The schools making use of agents were primarily Model C schools while an increasing number of large tertiary institutions were using them. They included Durban-Westville University, Zululand University and ML Sultan Technikon in KwaZulu-Natal.

Thurman said more professional people were becoming involved in school governing bodies and were looking at more cost-effective means of recovering payments.

A leading Durban Model C school said it had taken the agent route because it was a cheaper option than taking legal action.

Education Minister Sibusiso Bengu's spokesman Lincoln Mali said the ministry supported the recovery of debt by tertiary institutions. The alternative was that the higher education system would collapse.

"The principle is one we support because we need to have fees paid for education to be sustainable," he said.

## NUM considers enfranchising migrant workers

Renee Grawitzky

BD 25/10/95

THE NUM was considering challenging government over the exclusion of about 200 000 migrant mine workers from voting in the local government elections, NUM president James Motlatsi said yesterday.

Motlatsi said "we have a right to take government to court, but at the same time we will use political pressure" to force the issue. He

said it would be unfortunate if government was pushed into a corner over the issue.

Government has decided that people not registered as voters will definitely not be allowed to vote in next week's poll.

Motlatsi said the union would fight for the right of mineworkers to vote in the same way that they were allowed to do so in the general elections last year. He said an approach had been

bersary scheme, Mali said.

He would not comment on Model C schools recovering debt since the schooling system was in the process of being restructured.

Debt recovery agents Procor Credit MD John Kirckham said most agents would refer cases of non-payment back to schools if parents or guardians provided valid reasons for not paying fees.

However, certain institutions were using agents that were not members of the association and did not prescribe to its code of conduct. Agents in the past had a poor image with credit granters.

The association worked closely with the Business Practices Committee to regulate the activities of its members, he said. Transgressions of the code would result in public investigation.

made to the home affairs department to work out a programme for migrant workers to vote. Motlatsi said he thought there would be sympathy for the union's cause.

Motlatsi said the union was pursuing the demand for migrant workers to be granted permanent residence after having worked in SA for five years, in the same way that workers from overseas were granted residency. He said this should apply to all workers.

PREMIER IN PROPERTIES IN INTEN

Union in dispute with

# McDonald's given leave to appeal

CT 25/10/95  
(62)

PRETORIA: McDonald's Corporation was yesterday granted leave to appeal against a Supreme Court ruling dismissing the company's bid to protect its trademark in South Africa.

McDonald's lawyer Mr Gavin Morley said afterwards: "We challenged all the findings of fact and law in the judgment and the judge granted us leave to appeal."

The Appeal Court in Bloemfontein will hear the case and although no date has yet been determined, lawyers say it is unlikely to start before early next year.

McDonald's South Africa (Pty) Ltd said it would continue with plans to open its first two restaurants in Johannesburg and Cape Town next month.

"Until the appeal, the trademark of McDonald's Corporation is the registered proprietor of all McDonald's trademarks in South Africa," a statement said.

McDonald's earlier this month

asked for an interdict to stop Johannesburg businessman Mr George Samboros, owner of the Chicken Licken fast food outlet and a shareholder in a restaurant operating as McDonald's, from using its trademark.

Mr Samboros was able to register McDonald's for his own use because the company did not operate in South Africa during the apartheid years.

## Sanctions

Mr Justice Brian Southwood in his October 6 judgment rejected the argument that sanctions had kept the US-based company out of the market.

The US government has since placed South Africa on a watchlist of countries possibly infringing the intellectual property rights of various American companies. The Big Mac case had been closely followed in the US. — Reuter



## Levi Strauss recruits South Africans ~~(62)~~

■ BY FRANCOISE BOTHA

(62) Star 30/10/95

Levi Strauss, the world's largest clothing manufacturer, was on an employ-South-Africans drive, which aimed to see staffing of the company increase to 300 over the next 18 months, said Waddell Blackwell, the managing director.

Blackwell, the only American employed by the company in South Africa, said that its first entry into the local market a year ago had seen a rapid growth in sales.

The South African market for jeans stands at more than 10 million pairs a year.

"Directed by our commercial success, we should grow our total number of employees over the next 18 months and we are staffing with a diverse mix of highly charged, qualified South Africans," he said.

Dermot Molloy, the director of Salesmark Recruitment, has been responsible for the company's candidate screening. He said working with Levi Strauss had inspired them to look inward and hone aspects of the recruitment team's skills.

He said while the recruitment industry scrutinised potential candidates before placement, they were also evaluated by their clients.

"Regular post-interview feedback on applicants gave a clear idea that we were sending people compatible with the Levi Strauss ethos."

# McDonald's faces more litigation

(b2) ARG 30/10/95  
□ Court case unsettles trade relations

## DES PARKER

DURBAN. — Chicken Licken owner George Sombonos intends to sue McDonald's Corporation for illegal use of its own name if he ends up as the registered holder of the McDonald's trademark.

The row over the trademark rights has unsettled US trade relations and presented obstacles to McDonald's establishing its presence in an 85th country.

McDonald's has been granted leave to appeal against the Supreme Court ruling recently dismissing its bid to again become registered holder of its trademark. Use of the mark, the court judged, vested in two companies linked to George Sombonos.

The complicated legal argument revolves around South African trademark law, McDonald's failure to use the mark it had registered in South Africa during the sanctions era and just how well-known the mark is in this country.

McDonald's spokesman Vicky Baker says the group is going ahead with plans to open franchise outlets in the Cape and Gauteng with all the hallmarks of its worldwide operation.

That could cost the fast food group. Mr Sombonos's lawyer, Shaun Ryan, has no doubt his client eventually will end up the registered holder of the trademark — in which case he'll sue McDonald's.

"If it hadn't been for this fracas, we would have opened 20 McDonald's franchise operations around the country by now," Mr Ryan said.

"Our spelling - McDonald's or Macdonald's — would have been decided by now."

Chicken Licken, he said, with 252 franchised outlets, was about the fastest-growing franchise business in South Africa. Six out of 10 outlets were black-owned and would have been a role-model for the local McDonald's/Macdonald's.

Fast-food takeaways are likely to be among the fast-growing business areas in the country to meet the demand among the growing urban population for relatively cheap, easily available sustenance.

Developed countries have more than their fair share of McDonald's and Burger King-type outlets and their principals were stretching their tentacles increasingly into new territories, such as Eastern Europe and Africa, say franchise consultants Parker Gordon Associates.

Partner Bendeta Parker says less than 14 percent of franchise businesses in this country relate to fast food, a low level internationally.

"The job shortage in South Africa has dictated a need for former employees of large companies to become self-employed entrepreneurs," she says.

"The process of changing the lower income market's traditional eating habits from things like sour milk and unprocessed foods to chips, burgers and a milkshake will be costly and timely, but will inevitably yield high returns over the longer term."

BULLETIN BOARD

# Big Mac comes up tops in burger wars

Durban - US food giant McDonald's won a temporary Supreme Court interdict yesterday preventing a South African competitor from using its golden arches logo and name.

Mr Justice Noel Hurt granted the interdict in Durban after he had heard arguments from McDonald's lawyers, that the company had invested large sums of money advertising the launch of its first outlet. McDonald's, makers of Big Mac hamburgers, said it wanted to stop businessmen George

Sombonos and George Charalambous from using its logo and name.

Earlier this week, Charalambous opened a restaurant using the name MacDonald's in the Johannesburg city centre. "I feel compelled in the circumstances put before me (by McDonald's) to make an order of an interim nature because these particular circumstances seem to require an interim order for justice to be achieved," Judge Hurt said. He said he was reluctant to

grant the interdict because the competitor trading as Dax Prop, had received very short notice of the application and did not have sufficient time to reply.

But he said McDonald's had spent a lot of time and money in publicising its trade marks and the opening of the Johannesburg outlet. "There is no evidence that Dax Prop had embarked on any similar advertising campaign ... they simply opened an outlet in Johannesburg which incor-

porates a vast majority, if not all, of the marks which were made prominent during (McDonald's) advertising campaign," he said. The return date was set for November 30.

A lawyer representing McDonald's, Clifford Green, told Reuter that the local competitors would have to stop using all McDonald's trade marks and various products, and this would affect the Johannesburg outlet and another in Durban. Last month the Pretoria Supreme Court ruled against

McDonald's in its bid to stop Charalambous and Sombonos from trading under the McDonald's name. McDonald's won an application to appeal against the ruling and the case will go before the Appeal Court in Bloemfontein early next year. The businessmen had argued that McDonald's had let its trade mark lapse through non-use over a five-year period. This loophole has since been closed by new legislation but it covers only trade marks registered since 1993.

(62) / Stru 11/11/95

# McDonald's cooks up first-day buzz

CT(BR) 9/11/95 (62)

By ROSS HERBERT

Johannesburg — As the Saturday launch of the first South African restaurant by McDonald's nears, the buzz among burger munchers at Steers, Wimpy and Spur is just how much will meals under the golden arches cost?

With almost military discipline, McDonald's is keeping that a secret to prevent competitors stealing their thunder with price specials.

When asked whether one could just go and peer through the window at the menu board at the new restaurant, one public relations advisor cautioned: "You'd probably get in trouble. They've hired securi-

ty guards to stop that."

Carter Drew, the managing director of McDonald's South Africa, said the company was guarding its prices before the launch to prevent the looming advertising battle from focusing just on price.

"We want to focus on the total package including service, convenience, cleanliness and value," he said.

Will a quarter pounder with cheese beat a Wimpy burger at R5,70? Will McDonald's famous french fries undercut chips at Steers? Drew refuses to say.

"I think South Africans will be quite surprised with the level of value we'll be offering. McDonald's prides

itself on being outstanding value."

One key to McDonald's success will be its introduction of a drive-through service. In the United States, McDonald's draws much of its business from commuters who can drive past a special window for motor cars. McDonald's workers at the window call out orders to cooks using headset microphones.

Another strategy in the pipeline is a possible breakfast menu. Eggs, bacon, pancakes and danishes, among other morning items, bring in about 20 percent of McDonald's business in the United States.

But that is still to come, and the prices will have to stay for Drew's eyes only.

# McDonald's granted trademark order

JOHANNESBURG. — United States-based McDonald's Corporation has been granted an interim order in the Supreme Court's Durban coastal and local division preventing Dax Prop from using McDonald's logos and certain trade names in Gauteng.

Dax Prop opened a restaurant in central Johannesburg this week using the name Macdonald's and the familiar M logo.

Dax Prop's sole member is George Charalambous, who has operated a similar Macdonald's outlet in Durban for a number of years.

Shaun Ryan, legal representative for Dax Prop, said the court issued an interim order prohibiting the use of the M logo and certain product names such as Big Mac Burgers at the Gauteng branch only.

Dax Prop could continue to use the name Macdonald's and symbols at its Durban outlet.

Mr Ryan said McDonald's Corporation served papers consisting of 1 300 pages on his client on Thursday. They had no time to serve answering affidavits before the matter was heard on Friday.

"We had no way of replying to all that documentation in one day. These sorts of interim orders should never be granted when my client had no opportunity to defend himself," Mr Ryan said.

"But this has happened to us before. A court granted an interim order against Dax Prop and it was overturned when we filed answering affidavits."

Clifford Green, McDonald's attorney, said the application was based on alleged infringement of its trademarks, passing off and breach of copyright.

The latest court move follows a legal battle over ownership of the McDonald's trademark between Mr Charalambous and fellow applicant George Sombonos on one side and McDonald's Corporation on the other.

The Pretoria Supreme Court ruled earlier that McDonald's trademarks be expunged from the trademark register. The matter is on appeal.

"This is a most peculiar situation as the interim order has been issued while the Appeal Court decision is still pending," said Mr Ryan. — Sapa.

(62) ARG 11/11/95

# McDonald's wins latest battle

Nicola Jenvey

(62)  
BD 13/11/95  
DURBAN — The US fast-food chain McDonald's won the latest battle in the burger war on Friday when Durban Supreme Court judge Noel Hurt ordered local businessmen George Charalambous and George Sombonos to refrain from operating under the distinctive "M" logo.

Product names bearing a similarity to McDonald's products could also not be traded.

Charalambous owns a Durban restaurant called Macdonalds and opened one in Johannesburg last week, three days before the official launch of the US McDonald's in SA.

Hurt said legal counsel for Charalambous had had insufficient time to prepare arguments for Friday's appearance as the papers were only served the day before. A November 30 return date was set.

However, in the interim, Macdonald's had to add "Dax" to its trademark and could not utilise the double arches "in any context or at any location".

Charalambous could continue operating his Durban restaurant as Macdonald's as had been the case since 1978, but had to change the Johannesburg one to Dax Macdonald's.

Hurt believed there was "some significance" in the coincidental opening of the Johannesburg Macdonald's three days before McDonald's opened in Blackheath and said the respondent Dax Prop — of which Charalambous is the sole member — was "endeavouring to profit by McDonald's goodwill".

He did not accept the argument that since McDonald's had not yet traded in SA, there was no goodwill surrounding the name.

"It is obvious from their significant spending in advertising in SA (more than R20m) that McDonald's are indicating goodwill. Part of that goodwill was created through the use of the golden double arches in their advertising campaign," Hurt said.

Permission was given for Dax Prop to change the return date if this was desired by providing McDonald's with 24 hours written notice.

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# IFP must win poll — Buthelezi

Farouk Chothia

BD 13/11/95

DURBAN — The local government elections in KwaZulu-Natal, due to be held on March 27 next year, were a matter of life and death for the party, IFP president Mangosuthu Buthelezi said yesterday. Thus the party dared not fail in its mission to win the province with an overwhelming majority, he said.

Buthelezi told a rally in Okhahlamba in the KwaZulu-Natal midlands that the battle for KwaZulu-Natal was becoming the "very battle" for freedom and democracy in SA. An IFP defeat would open the doors to increased violence against IFP supporters.

An overwhelming victory would, however, be the "door through which we can secure the autonomy of our province, and the survival of the Zulu nation," Buthelezi said.

IFP national deputy chairman Sipo Mzimela said the IFP national council discussed at a meeting last Friday the IFP's poor performance in the November 1 election, and there was an acknowledgement that much work had to be done in the province. Nevertheless, spirits were "high" and the mood "upbeat," he said.

Mzimela said the management of

the November 1 election campaign did not live up to expectations, and a "machinery" would be set up to manage the KwaZulu-Natal campaign. Also, he said, there would have to be an "injection of new blood".

Mzimela said the campaign would focus on bread-and-butter issues, and not on national issues, such as IFP demands for KwaZulu-Natal autonomy.

Buthelezi said that with the ANC preparing to use all its resources to win KwaZulu-Natal, the IFP would have to find the strength to be able to stand up to ANC "intimidation".

"If we fail, the entire cause of freedom, democracy and pluralism in SA will fail," Buthelezi said.

Buthelezi said that Gauteng premier Tokyo Sexwale's statement that an ANC victory in KwaZulu-Natal would be the "cherry on the top" was "highly irresponsible".

Buthelezi accused the ANC of busying its supporters from the Eastern Cape to KwaZulu-Natal to register for the election.

He said security forces were engaging in "genocide" against IFP supporters, and the "might of the state is being harnessed to destroy our party". IFP supporters' only option was to begin policing their own communities.

## ANALYSIS

# McDonald's storms the market

(b2) CT(BR) 13/11/95

BY ROSS HERBERT

Johannesburg — A big rock fell into the placid waters of the South African fast-food market over the weekend with the official opening of the first McDonald's restaurant.

Carter Drew, managing director of McDonald's SA, promised a permanent commitment to the market including 14 or 15 new restaurants in the next year and a ploughing back of all profit for the foreseeable future.

How South Africans take to the company's Big Macs and French fries is an open question.

The opening-day crowd of several hundred was quite prepared to wait to taste test the food. Many people viewed McDonald's entry as a compliment to the country and a welcome challenge to existing service levels.

"I think they'll wipe out the small guys," said Mason Niederhauser, one of 10 Mormon missionaries from Utah who camped out overnight to make sure they were the first to buy a South African Big Mac.

A fast wipe-out seems unlikely, given the time and planning McDonald's has poured into its restaurants. But it will clearly change the dynamic of the market.

Its prices are competitive, but not enough to overwhelm the market. A Big Mac goes for R7. A regular hamburger, for a more child-sized appetite, is R2,50. A Big Mac, medium-sized drink and French fries is R14, compared with R13,30 for a regular Steer burger, chips and drink, or R15,90 for a Spur

burger, chips and soda.

The local MacDonald's, which continues to battle with McDonald's over trademarks, is a more crude operation with one person at the counter, four tables and, well, tepid food. It sells what it calls a "Big A X"; a double cheeseburger with more, albeit chewier meat than the Big Mac, which goes for R5,95. With a drink and chips, the meal is R10,15.

At the weekend, however, McDonald's Corporation and McDonald's SA were granted an interdict by the Durban Supreme Court against the business, ordering it to stop using the McDonald's trademarks in Durban and Johannesburg.

McDonald's key statement is the idea that fast food is not simply a price-driven commodity business. "This is really a people business," Drew said. He said the friendly smile that makes customers glad they came is equally as important as the taste and value of the food.

McDonald's, whose annual turnover of R96 billion — which exceeds the value of all South Africa's exports — has learned that fun is a vital part of the business. Over time it has grown more youth oriented and more sophisticated in its appeal to children.

The best hint of its South African strategy may be the neon Playland sign, which is more prominent than the

main McDonald's sign at the Blackheath store. Inside is a maze of tubes and toys, such cartoon creations as a tree with talking hamburgers on the branches and a Ronald McDonald clown. Before the restaurant opened it had already booked about 20 children's parties for the playland.

For families with children, dining out is as much about dealing with children as it is about food. McDonald's Playland and Happy Meals will bring it into competition with such places as Spur, whose sit-down booths have been a big draw to families.

McDonald's will also have an effect beyond its direct competitors. It won't disclose wages, but one counter worker said he was making R7,50 an hour. After watching those workers in action, who were enthusiastic and well-schooled in friendly service, it seems plausible

McDonald's will soon face heavy poaching; not only from other fast-food places, but also candle-light and cocktail restaurants.

The company will also affect the advertising industry, upon which McDonald's relies heavily. Ella Campbell of the White House advertising agency, which has the McDonald's account, said the company would not rely only on television, but had already shot two South African commercials.



Steers and Wimpy, tasting competition



# Big Mac comes up tops in burger wars

(62) / STM 11/11/95

Durban - US food giant McDonald's won a temporary Supreme Court interdict yesterday preventing a South African competitor from using its golden arches logo and name.

Mr Justice Noel Hurt granted the interdict in Durban after he had heard arguments from McDonald's lawyers that the company had invested large sums of money advertising the launch of its first outlet.

McDonald's, makers of Big Mac hamburgers, said it wanted to stop businessmen George

Sombonos and George Charalambous from using its logo and name. Earlier this week, Charalambous opened a restaurant using the name MacDonald's in the Johannesburg city centre. "I feel compelled in the circumstances put before me (by McDonald's) to make an order of an interim nature because these particular circumstances seem to require an interim order for justice to be achieved," Judge Hurt said. He said he was reluctant to

grant the interdict because the competitor, trading as Dax Prop, had received very short notice of the application and did not have sufficient time to reply. But he said McDonald's had spent a lot of time and money in publicising its trade marks and the opening of the Johannesburg outlet. "There is no evidence that Dax Prop had embarked on any similar advertising campaign... they simply opened an outlet in Johannesburg which incor-

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McDonald's in its bid to stop Charalambous and Sombonos from trading under the McDonald's name. McDonald's won an application to appeal against the ruling and the case will go before the Appeal Court in Bloemfontein early next year. The businessmen had argued that McDonald's had let its trade mark lapse through non-use over a five-year period. This loophole has since been closed by new legislation but it covers only trade marks registered since 1993.

# Hamburgerology degree is his meal ticket to success

(62) Star 11/11/95

Is this what they mean by global intimacy? Is our country about to be colonised again? Definitely. The Big Macs have arrived. And Carter Drew is here to show them the way.

Ask the president of McDonald's in South Africa almost any question and he will answer "hamburger". For him, the Big Mac has its own kind of lyricism. After all, the hamburger is his *raison d'être*, his life's *leit-motif*. It is the theme that chews its way into his days and nights. And he ain't even fat. He exercises, you see.

At 44, he says he must have eaten thousands upon thousands of Big Mac Quarter Pounders. Maybe a million? He's getting there. The thought of the vast volumes of beef and bun he has consumed makes him laugh.

## Tested recipe

And when he talks about the McDonald's on Chicago's 65th Street and Stoney Island, where his grandma used to take him after church on Sundays, you can tell that his passion for hamburgers is genuine.

Junk food? You've got to be joking, he says. This stuff is nutritious; made from the kind of food you'd buy in the shops and cook for yourself. Quality. Service with a smile and cleanliness. It's a tested recipe.

And for all these kids who are stuffing their faces at the launch

## THE MAUREEN ISAACSON INTERVIEW

Carter Drew, president and MD of McDonald's in South Africa, has a degree in hamburger-making. He opened his first store, in Blackheath, this week and says burgers are where it's at



of the Blackheath store know, they could be in New Zealand, or Egypt - that's where the guys who have come to set up the new McDonald's hail from. Curiously, one of the company's selling points is that if you eat at McDonald's, you could be in Paris, Texas, or Paris, France, and not know the difference.

McDonald's appears to be the all-time leveler. Like an ideology, like a religion, what Drew calls "the McDonald's Experience" at once spans and transcends six continents.

And to think that as you read this, the roof of yet another store is about to be anointed. According to Drew, every seven hours a new McDonald's store goes up somewhere in the world. This brings current totals to 17 500 stores worldwide. We're talking about the world's biggest brand name after Coke. At least Drew is doing the talking, and he's getting pretty animated while he's about it. According to him, there are about 10 000 stores in the

US, with some 29 million customers getting the McDonald's treatment every day. And now it's happening to us.

Ours is the 86th country where McDonald's has landed. And it's the country that is about to make of Drew's career a swinging success. After 16 years of climbing the hamburger ladder, from kitchen to boardroom, he has cracked a presidency and directorship in South Africa.

Not bad for the Chicago-born son of a taxi driver and grocery store assistant who, as a small boy, wanted to become a pilot and ended up graduating from the University of Illinois with a BA in criminal justice and architecture. That was before he went on to graduate with a degree in hamburgerology from "Hamburger University", McDonald's university for advanced operations, in Illinois. Four one-week classes is all it takes.

To this study Drew was well suited. He's a fast kind of guy; his eyes dart all over the place,

overseeing this operation as he has done everywhere from Homer, Alaska, to Denver, Colorado.

McDonald's is the place where everything needs to be done yesterday, he says.

As we talk, the Big Mac people are working like crazy to shine those melamine tables and brighten those service smiles. They're in a great rush to bring to us the meaning of the Big Mac.

As mentioned, it's a global thing. Blackheath franchise owners Reggie and Busi Sikhosana have even been all the way to New Zealand to learn the ropes.

## Temptations

And if you close your eyes and listen to Drew talk about the "drive-through" order system on D F Malan Drive where you can pick up your burgers without getting out of your car, you could be, well, just anywhere in the world. Blackheath could be any place in America, he says.

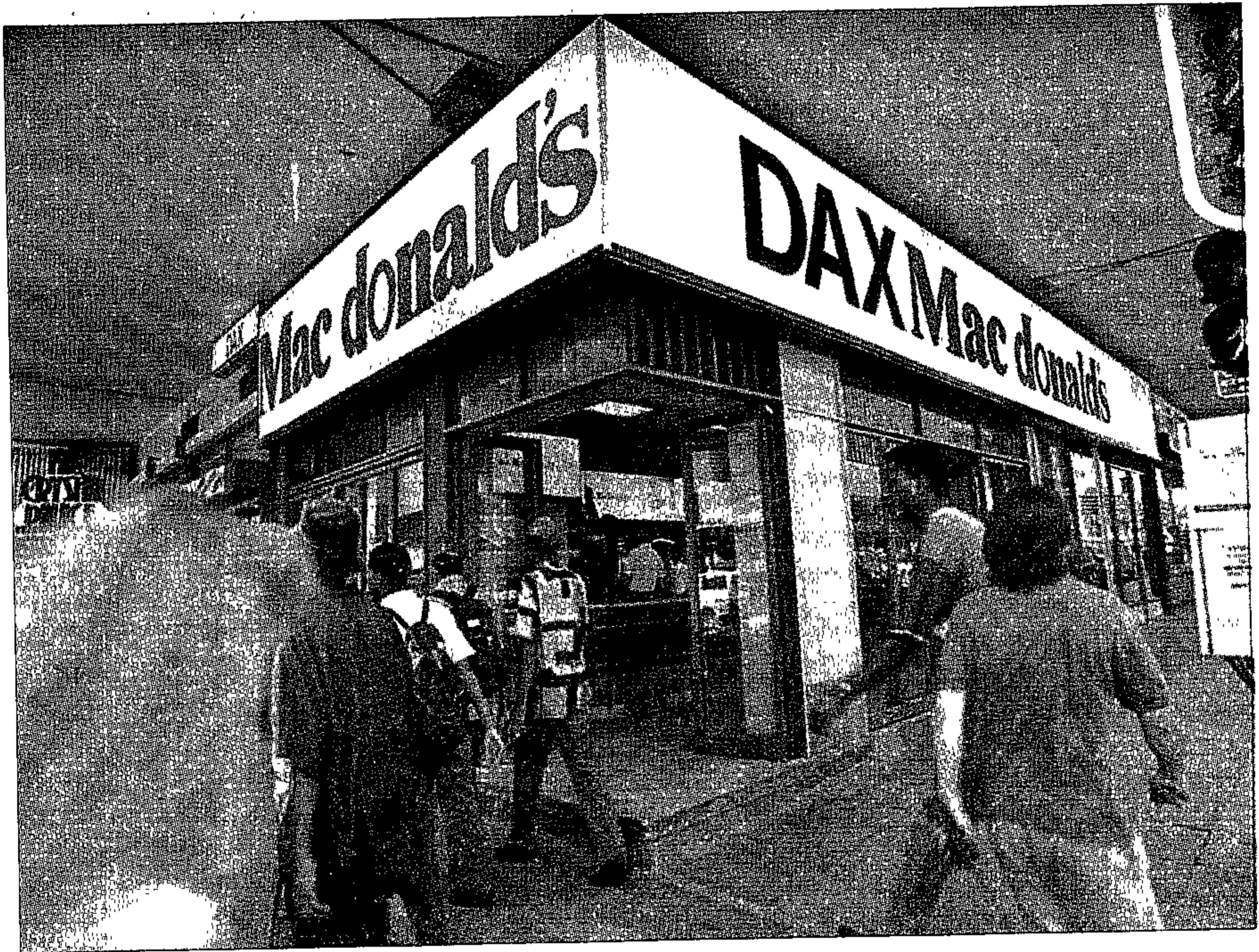
Scratch the surface of the man and what you find is pure hamburger. Even his favourite song could relate to the making of and serving of these: it's called *Get Ready*, by the Temptations. Right now, the man has too much on his mind for small talk.

But I will say this. Carter Drew is friendly and enthusiastic. After all, he's a hamburger man. Part of the new breed that's about to devour our city.



**BIG MAC MAN:** Carter Drew, president and managing director of McDonald's South Africa, is passionate about hamburgers. And so he should be. He has launched the fast food chain in centres throughout the world

PHOTOGRAPH: JOHN WOODROFF



**BUSINESS AS USUAL** Trading continues as vigorously as ever at the copycat fast food shop in Johannesburg. The outlet changed its name in the wake of a temporary court order prohibiting the use of names similar to the famous McDonald's

PHOTO JOHN WOODROOF

## Softly, softly, fast-food copycat changes its name

BY THABO LESHILO

Johannesburg — Dax Prop's MacDonald's fast food outlet in the CBD quietly changed its name to Dax Mac donald's this week, after last week's temporary court order prohibiting the company's use of a name similar to the famous McDonald's trademark.

The order followed an urgent application by Big Mac in the

Durban Supreme Court after Dax Prop opened the franchise a day before the launch of McDonald's in Blackheath last week.

The interim order will be heard again on November 30.

George Charalambous, the owner of Dax Prop, has had to change even the names of items on the menu at the shop, on the corner of Kruis and Commissioner streets, to avoid any resem-

blance to Big Mac. The food now comes in plain wrappers, without the famous McDonald's golden arches, and the staff wear white T-shirts without any logos.

However, customers appeared unperturbed by the changes and packed the store at lunchtime yesterday. Shaun Ryan, Dax Props' lawyer, was confident his client would be the victor at the next hearing of the interim order.

"They (McDonald's) will not succeed. My client has been the local owner of the trademark since 1978," said Ryan.

The second franchise outlet of the American hamburger chain in South Africa will open in Tyger Valley, Cape Town, tomorrow. McDonald's has invested R16 million in South Africa and plans to open more franchises across the country.

(62) CT (BR) 17/11/95

# US hotel group plans major Southern African expansion

ARG 25/11/95

(b2) (S)

**WILLEM STEENKAMP**

Staff Reporter

IN A major investment boom for the Southern African tourist industry, the United States hotel group Days Inn has announced plans to open between 30 to 60 hotels in the region over the next six years — with two of these hotels being built in Cape Town by the end of next year.

The total investment in the Southern African hotel industry promises to be more than R1 billion, Days Inn spokesman Charles Holland told Saturday Argus this week.

"We do not own hotels or properties ourselves, but we supply training, management and other franchise benefits. We also recruit investors and we already have several international financiers who are keen to invest in the local hotel industry.

"We are also keen to involve local investors and funders who wish to enter the industry because we believe it should be made accessible to as broad a group of entrepreneurs as possible.

"Days Inn operate 1 600 hotels in the US and more than 1 700 hotels throughout the world.

"We have identified five prime sites in the Cape where we intend having Days Inn hotels. We are currently finalising negotiations with financiers on these sites and we hope to have two Days Inn hotels up and running in Cape Town before the end of next year."

Mr Holland said the company conservatively estimated to be running about 60 hotels in Southern Africa in about five to six years. It will be concentrating on three and four star hotels.

"We believe this is where the market lies in Southern Africa. We are talking about mass saturation of the local hotel industry. We believe that the American market, which already supports 1 600 Days Inn hotels, will be saturated when it reaches the 2 000 hotel figure.

"The holding company of Days Inn hotels — the Hospitality Franchise Systems Incorporated (HFS), decided to globalise its operations and is expanding world-wide."

Star 2/12/95 (62)

## US firms taking stake in SA at a rate of five a month

An average of five US companies a month invested in South Africa this year, the US-based Investor Responsibility Research Centre said yesterday.

The centre said 235 US companies had ties with South Africa. They began returning to the country in 1991, when former president F W de Klerk began dismantling apartheid, after disinvesting in the 1980s.

Twelve US consumer goods and services firms had invested or made commitments to invest more than \$200-million (about R720-million) since July.

Four major factors influenced the latest surge of investment. "US firms are reacting positively to recent economic growth, the strong response to major US brand names, to government pledges to reduce tariffs, and to fierce global competition."

PepsiCo led the wave of business activity in July, adding a \$55-million stake in snack food manufacturer Simba to its investments in a soft drink operation and in Kentucky Fried Chicken franchises.

Other investments included \$5,5-million by fast-food group McDonald's, jeans manufacturer Levi Strauss' \$9-million Cape Town factory and Coca-Cola's purchase of a 16% stake in SA Bottling Co.

However, US firms still viewed investing in South Africa with caution. Trademark protection remained an obstacle.

Deputy President Thabo Mbeki and US Vice-President Al Gore are to meet in Pretoria on Tuesday to discuss trade and investment issues. - AFP

# American companies flocking back to SA

CT(BR)4/12/95

(b2)

By LLEWELLYN JONES

Johannesburg — Not only are American companies establishing operations in South Africa at a record rate, but they are hoping that popular consumer goods and services, such as Big Mac and Levis, will have strong marketability in South Africa.

So says the Washington-based Investor Responsibility Research Centre, which led the American sanctions campaign against South Africa in the 1980s.

This year has seen an average of five new or returning American firms opening offices or placing employees in South Africa each month, the highest rate since the disinvestment period ended in July 1991.

This investment has brought the number of American firms with equity ties or employees in South Africa to a post-apartheid high of 235.

Among the leading icons to invest in South Africa recently are PepsiCo, McDonald's, Levi Strauss, Nike, Ford and Dell Computer.

There were four major factors influencing this latest spurt of business activity in South Africa, said Meg Voorhes, the director of the centre's South Africa programme.

"American companies are reacting positively to economic growth in South Africa, to the strong response to major American brand names, to government pledges to reduce tariffs and to fierce global competition."

She said American brand names had a certain cachet in South Africa. The enthusiasm for American products had boosted sales at a number of firms, prompting several companies to expand operations.

The importance of a more open trade policy was emphasised by Voorhes. Falling tariffs reduced the cost of importing inputs or finished products for wide distribution in

South Africa, she said.

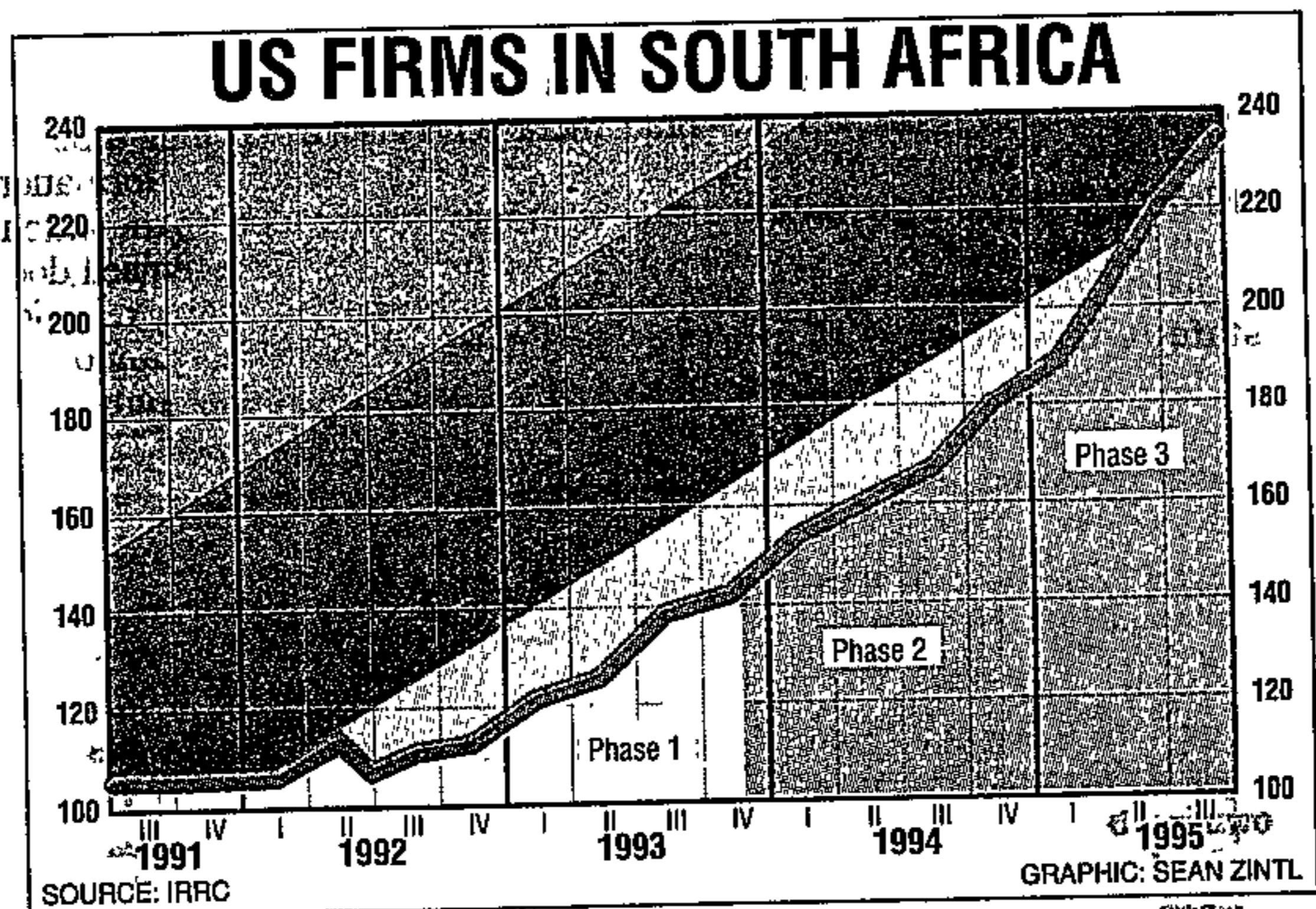
American firms were anxious to establish themselves in South Africa, having been left out of the market for more than a decade.

Many non-American firms never left South Africa and now "American companies first have to play catch-up", she said.

One potential obstacle to future foreign investment was the still unresolved issue of trademark protection, which had affected firms like McDonald's and Toys "R" Us.

Should the government resolve such contentious points and continue to co-operate on bilateral and investment issues, other American executives were likely to gain confidence in the country's suitability as an investment destination, she said.

The centre expected the next wave of American firms investing in South Africa to come from the construction, education and health-related sectors, as RDP spending allocations increased.



Investment trends: US companies are entering South Africa at a record rate

## Foreign investment in SA is on the up and up

*M+G (13m) 8-14/12/95 (62)*

**Simon Segal**

**E**VIDENCE is mounting that foreign investment in South Africa is picking up and could well be higher than popular perception has it. Information services group BusinessMap SA, the only known source to be developing a database that monitors foreign investment, calculates that since the elections last April some R8,5-billion has been committed by foreign firms in investment money.

Of this, R6-billion has been committed this year, indicating the trend.

These monies are only committed and thus their final numbers will change. They are committed over a period of a few years. The figures are thus not fully comprehensive, based only on press reports, but they are nevertheless an indicator of a trend.

The numbers, notes BusinessMap, are almost certainly an underestimate as many deals are announced where figures are undisclosed.

The largest investments are from Malaysian group Landmark Berhad (who have announced an investment of R500- to R700-million), Nestlé (R600-million over three years) and Samsung (R600-million over five years).

BusinessMap's trend is borne out by the Washington-based investment monitoring group Investor Responsibility Research Centre (IRRC) which reports "a surge of US business activity in South Africa since January".

Some five new US firms per month are opening offices or placing employees in South Africa. This is the highest rate since US firms began to return to South Africa in 1991 after years of disinvestment. In that year there were 104 US firms involved in South Africa, compared to 280 at its peak in 1985.

There are now a total 235 US firms with equity ties or employees in South Africa:

Since July, 12 US firms have invested or committed to invest over \$200-million in South Africa. These include household brands such as McDonald's (\$5,5-million), Nike and Levi Strauss (\$9-million).

"Not only are US companies establishing operations in South Africa at a record rate, but they are also banking that popular consumer goods and services, such as Big Mac and Levi's, will have strong marketability in South Africa," states the report.

IRRC director Meg Voorhes cites four factors behind this trend — economic growth, the strong response to major US brands, government pledges to reduce tariffs and global competition.

Despite this improving trend, foreign investment is still small relative to the size of the economy (not even two percent of the gross domestic product). It is not yet being converted into the type of large-scale, long-term investments that will substantially expand the economy's productive capacity that creates jobs and wealth.

Most firms setting up in South Africa are still largely confining their involvement to setting up branch offices. Some have assumed direct control of distributorship. Others have entered through non-equity ties such as licensing and distribution agreements.

Still by far the largest foreign monies invested in South Africa are in short-term portfolio flows. In the first 11 months of this year a net R4,5-billion was bought (purchases were R22-billion and sales were R17,5-billion) on the Johannesburg Stock Exchange, compared to R185-million last year.

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# Trademark win for Leyis

ET 11/12/95

(62)

JOHANNESBURG: US jeans manufacturer Levi Strauss' fight against South African counterfeiters has been strengthened after a court ordered a trader to remove fake Levi labels from his stock.

Intellectual property attorney Mr Wend Wendland said yester-

day this was an indication that SA courts would act to protect foreign trademarks.

He said SA had a very high rate of piracy — a company survey earlier this year had shown almost all so-called Levi garments in stores were fakes. — Sapa

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# US men buy spurs for

# R2m

(62) ST(M) 31/12/95

By RENÉ DU PREEZ

**CAPE Town Spurs are to be sold for more than R2-million to an American business group, ending months of speculation over the fate of South Africa's champion team.**

The price will be the largest ever paid for a South African club.

However, fears that the team will leave the Mother City have been denied by both buyer and seller and Capetonians will still be able to see their favourite stars in action in the new year.

Speculation on the possible sale of Cape Town Spurs started in April and names of many clubs and individuals were bandied around as potential buyers.

However, over the past three weeks, delicate discussions between Cape Town Spurs director Dave Rodwell and a representative of the American group have clinched the deal.

The new owners will be in a position to call on all of last year's match-winning squad, with the exception of captain Francis Shonhayi who has returned to Zimbabwe, and Eric Ramasike. Both men had been on loan to Cape Town Spurs.

"Cape Town Spurs have become very much a part of life for me, but as all good things must come to an end, I have decided to get out while the team is at the top," Mr Rodwell said.

"However I'm pleased Cape Town Spurs will remain a part of Cape Town as I could not see myself selling the club to a group who intend moving it to another province."

Cape Town Spurs had been a household name in Cape Town for 25 years, so it would have been criminal for soccer lovers to find the club operating from another province, he added.

A nominee American businessman arrived in Cape Town yesterday with his attorney and they will finalise details of the sale with Mr Rodwell and some of his committee.

"We don't expect any problems as the main items — price and players — have already been agreed upon," said the American representative.

"We have many exciting plans lined up for Cape Town Spurs and plan to sell and popularise the club not only to the people of Cape Town but throughout the country.

"We have many ideas planned that could change the face of soccer in Cape Town," he said.

Once the sale has been signed, the new owners will start negotiating new player contracts with the 22 registered Cape Town Spurs players and appointing a new coach for the coming season.

As former Cape Town Spurs coach Mich D'Avray has committed himself to the Sasol national U/23 squad this coming season, Cape Town Spurs are presently without a coach.

All the players are involved in the sale, except for national players, goalkeeper André Arendse and striker Shaun Bartlett, who have both been offered trials abroad. But should this fall through they will remain the property of Cape Town Spurs.

Cape Town Spurs won the 1995 NSL League and BobSave competitions this year and will be participating in the Africa Champions Cup next year along with holders Orlando Pirates.

FOREIGN FILMS IN S.A

- USA -

MARCH '96 - MAY '97

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# US firms have 'a moral obligation to invest in SA'

Kevin O'Grady

US COMPANIES have a "moral and tactical obligation" to invest in SA now that it is a democratic country, says well-known human rights lawyer Alan Dershowitz, who was part of the legal team that successfully defended OJ Simpson against murder charges last year.

The US also had a duty to persuade other countries which withheld investment during the apartheid years to do the same, Dershowitz said in Johannesburg yesterday.

Visiting SA as a guest of Israel United Appeal-United Communal Fund, the fundraising arm of the organised Jewish community, Dershowitz said US businesses were traditionally cautious about new investment opportunities.

US businesses knew there would be stability in SA "so long as (President) Nelson Mandela remains in charge" but needed to believe that if they invested they would not be placing their trust "in one man".

"Once that is clear, and I am

(b2) 20 26/3/96  
confident it will become clear, US businesses will rush to invest," said Dershowitz, who once played a role in persuading US firms to withdraw from SA.

The two biggest worries facing potential investors, apart from the prospect of political instability, were crime and the likelihood of government allowing the expropriation of property.

Dershowitz also holds strong views on the issue of affirmative action. The US's affirmative action programme had failed "because we looked only at race.

"We need to move towards individual disabilities. If a person can show that they were educationally deprived, no matter what their race, then they should be given the advantage.

"Everybody should understand that affirmative action is an interim necessity, not a solution, and should quickly work towards making it unnecessary," he said.

During his visit, Dershowitz will conduct a series of lectures in which he will "talk generally about the human rights situation in the world — and particularly in

the Middle East and those places where Jews are endangered".

He also plans to talk about "the challenges of the new SA". Dershowitz said he could imagine nothing "more interesting than living in SA today ... It is a wonderful, dangerous time".

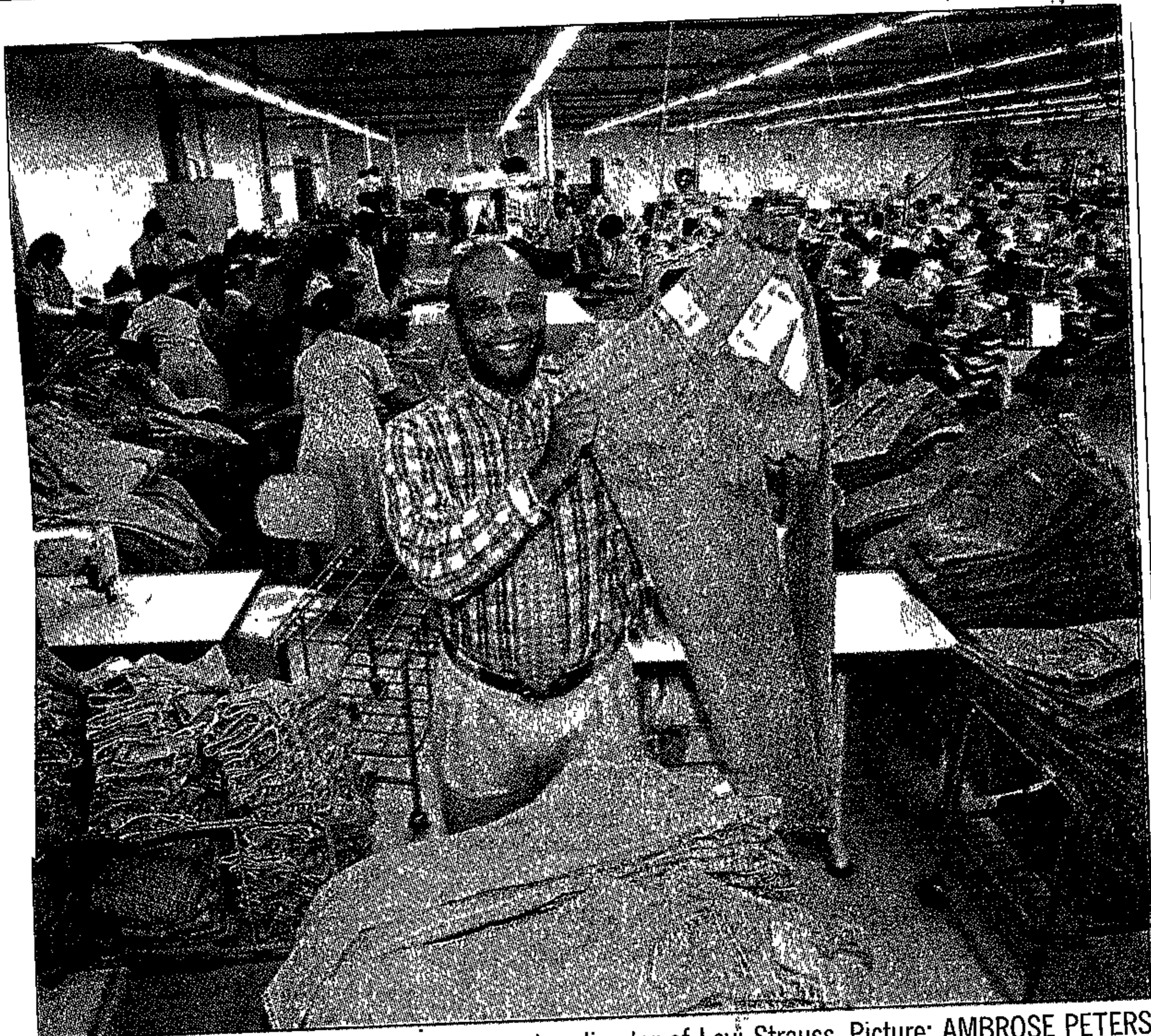
The US had a lot to learn from SA's experiences as whites "will become a minority in the US in the next 100 years and it will be harder for us than for SA ... Americans are not prepared for it".

"They (Americans) talk of declaring English the official language, Christianity, the official faith, and white the official colour, but that should not happen. We live in a multiracial world where whites are in the minority.

"The change I would like to see is for people to start judging people on the colour of their mind, not the colour of their skin," he said.

Dershowitz spoke of "the tragedy of the emergence of (militant and, some say, racist Muslim leader Louis) Farrakhan ... He is not the future, he is the past. If he had control in the US he would create apartheid there."

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THE REAL THING: Waddell Blackwell, managing director of Levi Strauss Picture: AMBROSE PETERS

# Levi's riding high in SA

(b2) ST(BT) 21/4/96

By JEREMY WOODS

LEVI STRAUSS, the US jeans manufacturer, is lifting investment at its new Cape Town manufacturing plant to R46-million after sales exceeded first-year budgets by 300%.

"The feedback from our major customers like Edgars, Markhams and LA Clothing has been that our jeans and shirts are selling way over expectations, and re-order levels have reflected this," said Waddell Blackwell, managing director of Levi Strauss in South Africa.

"We have lifted our investment so we can expand production facilities and cater for the demand. This in turn has created more jobs. We have gone straight into the third year of our five-year production plan.

"South Africa is a good jeans culture. One out of two kids walking around is wearing jeans," said Mr Blackwell.

Levi Strauss came to look at South Africa as soon as the apartheid era ended, undertaking an 18-month feasibility study.

"When you first come here, the big surprise is that it's very like the US. There is a sophisticated retail distribution network here very similar to that in the US."

Levi Strauss imports all of its machinery and chemicals from Europe. "We buy the fabric for our Levi's 501

jeans from only one place and that's Cone Mills in North Carolina."

The big challenge was to train staff. We taught them the Levi's standards, but 98% of errors are process-related. Our aim was to concentrate on the process, then teach the people how to deal with the errors."

Mr Blackwell said there had been "growing pain problems", but he was satisfied that all Levi Strauss garments being made were of "a world standard". Local jeans are being exported.

"Anyone who thinks Levi's jeans in Europe are better than a local pair is wrong. They are probably buying a pair made in Epping, Cape Town," said Mr Blackwell.

# Chrysler set to hit SA's roads again

(b2) (ST(BT)) 7/9/96  
CHRYSLER and its dealer network have invested almost R20-million for the motor company's return to South Africa after a 13-year absence.

By DON ROBERTSON

The internationally renowned Jeep Cherokee, in four right-hand-drive derivatives, and two models of the Neon sedan will be on showroom floors by the middle of August.

They will be imported fully built-up from the US and Austria and come to the local market at competitive prices. By October it is expected that the open-top Jeep Wrangler and multipurpose Chrysler Voyager will be available.

Tom Ford, general manager of Chrysler International's SA office, says the intention is to sell about 2 500 vehicles in the first year, made up of 900 Neons and an equal number of Cherokees and Grand Cherokees sold through its four-dealer network.

"We deliberately chose Jeep vehicles to mark our return to South Africa because we believe they will find wide acceptance in a country that is renowned for its outdoor lifestyle and has a deeply ingrained 4x4 culture," he says.

The pricing of the Jeep and Neon models is competitive with locally manufactured vehicles says Ford.

The Neon will compete with the likes of the Toyota Camry, the Ford Telestar, the Mazda 626 and the Honda Ballade in price, with the basic Neon model selling for R86 950 and the top of the range LE model for R99 950. The standard Cherokee will cost R169 250 and the Grand Cherokee R219 500.

There are about six component suppliers in South Africa which provide parts to Chrysler globally and it is intended eventually to encourage them to export to the various plants around the world, he says.

Once the domestic market has been penetrated, the company will investigate the sub-Saharan market and will become involved in community and environmental affairs in South Africa.

"Our experience in various markets has shown us that the driver of a Jeep Grand Cherokee uses the vehicle as a replacement for a luxury sedan. This means it will likely spend more than 90% of its life in city streets where four-wheel drive is an advantage in times of inclement weather and in other circumstances that affect road surface," says Ford.

# Chrysler fares well in return to SA

Edward West

(b2)

THE first Chrysler dealerships have opened in Durban, Sandton and Cape Town and more are expected to be set up in Port Elizabeth, Germiston and Pretoria, as the US-based motor group expands into the local 4x4 and car market segments.

Chrysler franchise executive Neville Frost said the first three distributorships had been licensed to

Wheels of Africa, a firm distributing Hyundai cars and Volvo trucks.

A Chrysler spokesman said the group was happy with SA sales so far. About 50 of its top-of-the-range Grand Cherokee jeeps sold in the first month.

The group returned to SA in July. Sales of the Neon sedan had been slower, but were expected to improve.

The Chrysler spokesman said that local sales of up to 3 000 vehicles were expected next year.

BO 5/11/96

# General Electric to generate R2bn in SA

Janet Parker

GENERAL Electric (US) has signed an industrial and commercial co-operation programme agreement with the trade and industry department in which it undertakes to generate R2bn in industrial, commercial and economic benefits to the SA economy over the next decade.

General Electric (SA) national executive Michael Hendry said the corpo-

ration had identified defined arenas in which the money would be spent, including investment in businesses, research and development and training. General Electric would continue its "sourcing" initiatives, aimed at finding suppliers and components for export to production facilities in the US.

The department, in turn, would provide the goals and objectives set out in

Continued on Page 2

(b2)  
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# General Electric

Continued from Page 1

(b2)  
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the national industrial participation programme, which include General Electric using its marketing network to promote exports from SA and foreign investment in SA, job creation, technology transfer packages and human resource development.

Hendry said the agreement formed a business framework for General Electric's support and participation in the SA economy, and was a strategic decision as SA was "the springboard into the rest of southern and central Africa, as well as India and Brazil".

The corporation's major focus would bring General Electric products into southern Africa, and by taking advantage of opportunities in emerging

economies, would create value for its shareholders, Hendry said.

Trade and Industry Minister Alec Erwin said the agreement with General Electric added to SA a dimension of industrial participation which would set a benchmark in the business community. SA manufacturing was set to become competitive in the global context, he said.

General Electric's policy of global expansion has seen its investment base expand from the US to around the world. The world's largest company by market capitalisation, it has annual revenue of \$79bn. It returned to SA in 1995 after disinvesting in the 1980s and now has 10 divisions here — appliances, aircraft engines, electrical distribution and control, lighting, medical systems, motors and industrial systems, plastics, power systems, silicones and transportation systems.

# Economy acquires a R2bn ally in General Electric US

(b2)CT(OR) 20/5/97  
ROY COKAYNE

Pretoria — South Africa's economy is to receive a R2 billion boost in industrial, commercial and economic benefits following the signing of an agreement yesterday between General Electric USA (GE), the world's largest corporation in terms of market capitalisation, and the trade and industry department.

Michael Hendry, the national executive of GE, said yesterday the R2 billion in benefits was scheduled over 10 years, though it could be achieved sooner.

He stressed that the R2 billion was "achievable and attainable considering the sort of opportunities seen in South Africa for the broad range of GE products".

Hendry said the agreement was in addition to investments GE had made in the country since returning in 1995, after heeding the call for disinvestment in the 1980s.

Hendry said 10 of the group's 12 business divisions were now active in the South African economy. He said GE's capital services division, which provides a broad range of financial and related products, would be represented in South Africa following the relaxation of exchange controls. Its National Broadcasting Company was involved in talks with people in the marketplace about GE's products.

Stuart Fisher, the president and chief executive of GE Trading Company, said the newly signed industrial and commercial co-operation agreement was only the second GE had entered into, and followed the proactive agreement signed with Hungary last month. He said GE was committed to doing serious business in South Africa and in that way helping to develop the economy. "We want our contribution to extend beyond supplying first-rate goods and services. We want to make a difference to the lives of ordinary South Africans. We believe this agreement will facilitate that," he said.

Alec Erwin, the trade and industry minister, said the agreement added a new dimension to South Africa's industrial participation programme. He said this sort of partnership promoted the country as a competitive manufacturing economy in the world.



**SERIOUS BUSINESS:** Stuart Fisher, the president and chief executive of GE Trading, at the signing ceremony

PHOTO ETTIENNE CREUX



# SA gets R2-b from GEC

(b2) Rowelam 20/5/97

By Shadrack Mashalaba

**T**HE SOUTH AFRICAN economy was given a major financial boost yesterday with the injection of about R2 billion from the United States-based General Electric Company (GEC).

The agreement was signed in Pretoria under the Industrial and Commercial Cooperation Programme which GEC entered with the Department of Trade and Industry last year.

According to GEC, the money will enable it to fulfil its commitment to the South African economy through direct investment and purchases of locally produced goods.

Technology transfers and specialist human resources development will also be covered.

## Second agreement

This agreement is the second GEC has entered into with South Africa since its return to the country over two years ago.

GEC - with a market value of over R748 billion and revenue of R353 billion in 1996 - is one of the biggest conglomerates in America. It employs 239 000 people worldwide and operates in more than 100 countries.

GEC president and chief executive Stuart Fisher said: "GEC is committed to doing serious business in South Africa and in that way help grow the economy."

"We want our contribution to extend beyond supplying first rate



Trade and Industry Minister Alec Erwin shakes hands with the USA-based General Electric president Stuart Fisher after signing the Industrial and Commercial Cooperation Agreement in Pretoria yesterday.

PICT: LEN KUMALO

goods and services.

"We want to make a difference to the lives of ordinary South Africans. We believe this agreement will facilitate just that."

Fisher said that GEC had participated in similar arrangements in numerous countries throughout the world.

"In total, GEC has satisfied commitments in excess of R26 billion and

has never failed to meet a commitment," he said.

Fisher said his company is well positioned to support and participate in the productivity and technological growth described by the South African Government in its plan of growth objectives.

It has business operations in aircraft engines, appliances, lighting, electrical

distribution and control, medical systems and silicone among others.

Government procurement director Vassie Ponsamy said: "We welcome GEC committing to the South African economy in such a big way."

"We see our agreement with GEC as the flagship for the National Industrial Participation Programme."