# MANUFACTURING FOOTWEAR

1975 - 1978

Dispatch 18/9/75

# International shoe firm for KwaZulu

PRETORIA — The South African Bata Shoe Company Limited will be starting component and footwear production very soon in the KwaZulu homeland.

At a function held in Durban Bata announced it had concluded negotiations with the Bantu Investment Corporation, leading to its acquiring factory premises at Keat's Drift.

This project had received the enthusiastic support of the Chief Executive Councillor of KwaZulu, Chief G M. Buthelezi. It was announced that production operations will start almost immediately.

The South African company is an integral part of the world Bata shoe organisation, which has its headquarters in Toronto, Canada. The Bata organisation is a multinational concern, which operates in 97 countries in the world.

The Bata shoe factory at Keat's Drift is the first of its kind in the homeland, and will employ some 220 Zulu citizens.

On a visit to the Bata Shoe Company in Pinetown, Chief Buthelezi said the undertaking will greatly increase the economic viability of KwaZulu. He expressed the hope that other multinational organisations would follow the example set by Bata by establishing labour intensive industries in KwaZulu — DDC.

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# SCOTTS PROFITS UP 77 PERCENT

Sun Trib (Fin) 5/10/75 187

By Vic Hanna Financial Editor

SCOTTS growth record remains untarnished with the announcement that its unaudited profit before tax for the six months ended August 31, totalled R1 281 000 against last year's interim figure of R842 000.

And shareholders should be happy with the 15c dividend to be paid against last year's interim dividend of 10c

Turnover rose from R10 202 000 to R12 658 000 — an increase of 24 percent

The profit after tax was R938 000 against last year's R527 000 — up no less than 77 percent. Earlier this week Des Scott announced his group was to embark on a six month price freeze which would end on March 31 next year.

He said the group would be doing this to help the consumer and as an example to its suppliers that it was serious about contributing to the fight against inflation.

"We feel that the increased volume that this step brings about should enable us to continue trading during this period without our profits being affected," he said

"The Government has called for a wage freeze which, if consumer prices went up, could have serious repercussions," he said.

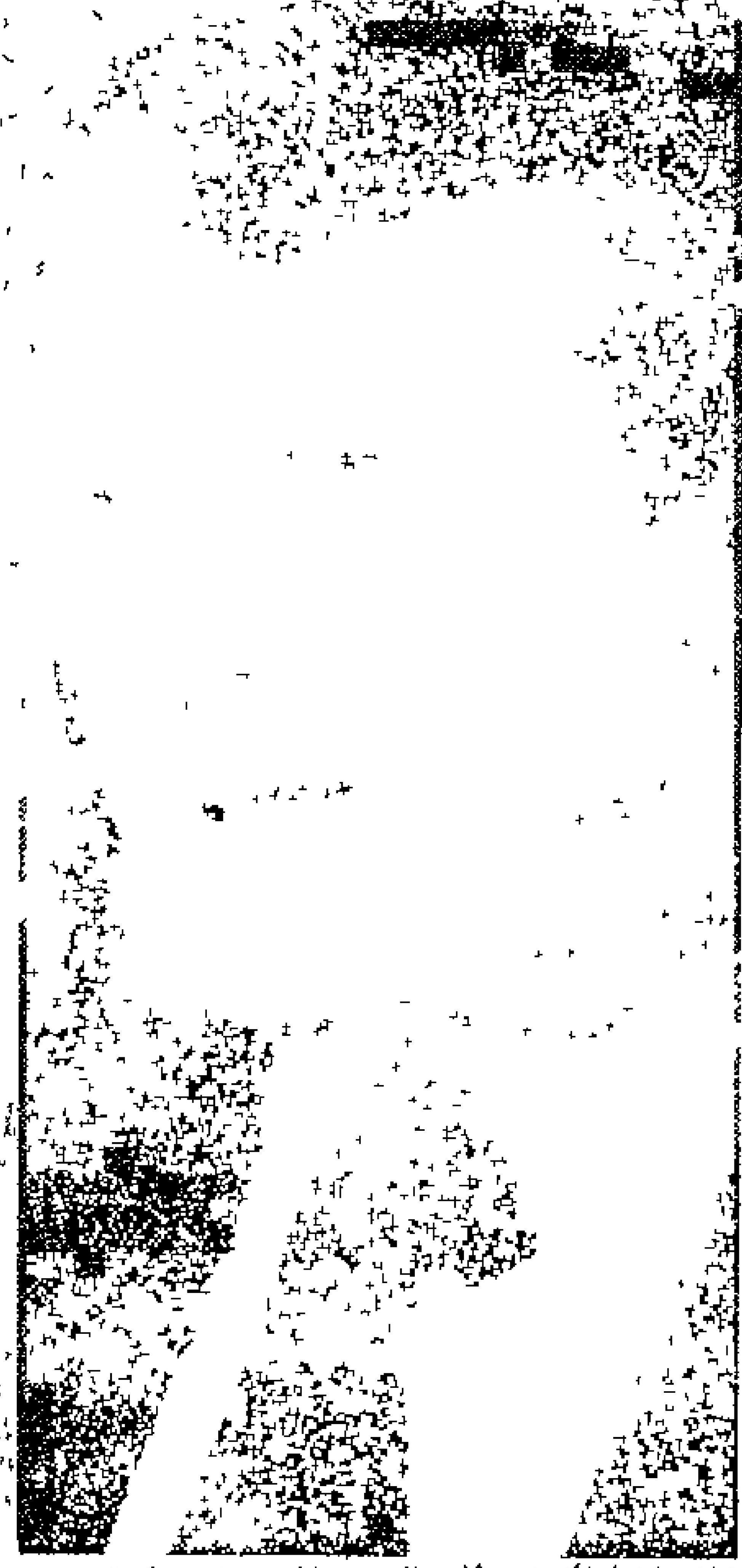
"This is our group's way of assisting consumers in their continual battle with rising prices."

Des Scott, also this week, called for a Government sponsored air freight service to North America.

He said that this would, particularly now that devaluation had assisted exporters on a price basis, enable goods to be landed quickly and cheaply in the US

"Our manufacturing divisions have an enormous potential in North America but with most of our lines being geared to the fashion market it is essential that these goods arrive as soon as possible in the marketplace.

"We have found that our exports to Australia were highly acceptable — until the duties killed that market — and we would now like to open up the American continent," he said.



Des Scott — price freeze

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(2, 187

# Plea to overhaul footwear trade

20/8/75 Mercury Correspondent

**PRETORIA—South Africa's footwear manufacturing industry is in need of an overhaul — with strong measures being taken to improve manpower utilisation, productivity and profitability.**

This is the finding of a fact - finding committee appointed by the National Productivity Institute, a team which included a leading world authority on shoe manufacturing, Mr. John Mackenzie, from Canada.

The report has laid it on the nail to the industry: It is "imperative that productivity be brought to and maintained at a maximum level if the industry is to remain viable — an economic proposition.

Among other factors, the investigators expressed surprise that South African shoe manufacturers are largely ignoring the potential and possibilities of exporting shoes.

In the survey, the workings of 21 major companies were scrutinised. Recommendations made are intended to guide the companies on improved management, production and other techniques.

Basically, the report tells manufacturers that increased productivity will depend on more enlightened and up - to - date management techniques.

More effective use has been recommended of production planning and control methods, marketing research, management information systems and communication techniques.

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ADDRESS ON BEHALF OF THE HONOURABLE J.C. HEUNIS, MINISTER OF ECONOMIC AFFAIRS, BY MR. T.F. VAN DER WALT, DEPUTY SECRETARY, DEPARTMENT OF COMMERCE, ON THE OCCASION OF THE FIFTH ANNUAL DINNER OF THE SOUTH AFRICAN INSTITUTE OF THE BOOT AND SHOE INDUSTRY, PRETORIA, 5 NOVEMBER 1975

Mr. Chairman, ladies and gentlemen

The Honourable the Minister of Economic Affairs has asked me to convey to you his sincere apologies for not being able to join you to-night, due to unavoidable circumstances. And where I now deputise for him, it gives me much pleasure to make your acquaintance and to be able to address you.

The South African footwear industry has evolved from very modest beginnings. In fact, its earliest history dates back to the days when the making of "velskoene" for the family, was still regarded as a normal home industry. However, by the early 1830's quite a few footwear manufacturing enterprises had already been established in the old Cape Colony. But, as in the case of many other industries, it was the discovery of diamonds and gold in the country that really provided the initial stimulus to the footwear industry by way of an expanding market.

By 1918 the industry was able to manufacture 1,7 million pairs of shoes per annum at a total value of R1,8 million. But even so, progress was slow, though steady, until a second stimulus was added by way of a protective tariff policy introduced during the 1920's. From then onwards, the industry expanded rapidly, so that production reached a total of 10,5 million pairs by 1938.

A third stimulus to the growth of the footwear industry was provided by the outbreak of the Second World War. During those years the local industry was challenged to show its mettle by

not/...

not only filling the gap left by imports of footwear which had practically stopped, but also by having to supply footwear to the defence forces. The South African army boot became so well-known that the annual production of more than 2 million pairs was not only worn by our own armed forces, but also by those of our Allies.

After the cessation of hostilities, imports of footwear were, how= ever, resumed, and, together with the fall in the demand for military footwear, the industry experienced a downturn in business activity to such an extent that it took no less than the next five years up to 1951 to regain the production level of 17 million pairs per annum reached during the war years. After that, the industry has shown continued progress.

To-day, the industry has found roots in practically every big city in the Republic. However, Cape Town, Port Elizabeth, Durban/ Pinetown, Pietermaritzburg and Johannesburg still remain the most important centres with notable characteristics in each centre.

It is, therefore, not surprising that the latest official statistics show that, by 1973, there were 120 shoe factories in the Republic with capital investments totalling approximately R70 million and employment being provided for 23 500 workers. In that year, the footwear industry also produced approximately 38 million pairs of conventional boots and shoes, and when other types of footwear, such as slippers, etc., are taken into account, the total production was approximately 45 million pairs.

These figures may serve to illustrate the significant expansion of the footwear industry as a whole. In addition, it must be remembered that, apart from the quantitative growth of the in= dustry, it has also expanded qualitatively in the sense that the quality of its products has been improved and that new shapes and styles have been developed to meet the ever-changing de= mands of fashion. This trend has required great advancement on the technological level and, as far as I am aware, our fac= tories have kept good pace with this aspect.

Notwithstanding the phenomenal growth and technological progress attained by our footwear industry, there are, to my mind, a number of very important aspects which merit closer attention.

Die eerste aspek waarop ek die aandag wil vestig, is ons land se buitelandse handel in skoeisel. Aan die een kant het ons skoeiselnywerheid gedurende 1973 'n 82 persent aandeel in ons plaaslike mark besit. Aan die ander kant is die land steeds 'n netto invoerder van skoeisel, soos blyk uit die feit dat invoere van skoeisel gedurende 1974 R18,3 miljoen beloop het, vergeleke met uitvoere van slegs R1,1 miljoen. Laasgenoemde syfer is boonop betreklik laag as in gedagte gehou word dat die jongste Ekonomiese Ontwikkelingsprogram die potensiële uitvoer van Suid-Afrikaans vervaardigde skoeisel op R7 miljoen teen 1977 stel. In die Program word in hierdie verband ook daarop gewys dat vanweë probleme soos besoedeling, asook hoë arbeids- en grondstofkoste in nywerheidslande, die plaaslike skoeiselnywer= heid meer aandag aan uitvoermoontlikhede moet gee. Hierdie saak verdien dus die ernstige aandag van die nywerheid, veral as daarop gelet word dat daar ruime en aantreklike uitvoeraansporings beskikbaar is, terwyl my inligting is dat die kwaliteit, asook die relatiewe pryse van die plaaslik-vervaardigde produk goed met die oorsese produk vergelyk.

Hierby kom ook nog 'n belangrike voordeel wat die plaaslike be= dryf geniet, naamlik, sy sterk rugwaartse skakeling met die

plaaslike/...

plaaslike produsente van sy grondstowwe. So, byvoorbeeld, het die bedryf se verbruik van grondstowwe uit plaaslike bronne ge= durende 1973 R80 miljoen beloop, teenoor grondstofinvoere ten bedrae van slegs R8 miljoen.

My gevolgtrekking is dus dat, terwyl die plaaslike bedryf ons grootliks selfvoorsienend ten opsigte van skoeisel gemaak het, daar onteenseglik gunstige geleenthede bestaan om nuwe uitvoer= markte vir ons plaaslik-vervaardigde skoeisel te verower. Ter= selfdertyd sal groter uitvoere die nywerheid se produksiereekse help verleng en sodoende tot laer eenheidskoste bydra - iets wat veral ook in die huidige tye van hoë inflasie vir die land uiters noodsaaklik is.

Die anderbelangrike aspek waarna ek graag wil verwys, is die feit dat die skoeiselbedryf ook 'n mededinger om die land se skaars produksiefaktore is. Daarom moet bestuur in die bedryf ook sorg dra dat elke produksiefaktor wat aangewend word, naamlik, arbeid, kapitaal, grondstowwe en masjinerie, so doeltreffend moontlik benut word.

Die strewe na die verhoging van produktiwiteit in die bedryf is immers in die eerste plek 'n funksie van bestuur en moet as so= danig altyd 'n integrale komponent van alle bestuursbesluite uit= maak. Die ervaring het geleer dat die werkers bereidwillig is om meer produktief te wees, maar dat die nodige leiding en motivering in hierdie opsig noodwendig van die kant van bestuur moet uitgaan.

U Instituut is ongetwyfeld ten volle op die hoogte van die insig= gewende resultate wat na aanleiding van die ondersoek van die Nasionale Produktiwiteitsinstituut na die produktiwiteit in u

bedryf/...

bedryf gedurende 1974 gepubliseer is.

Ek gaan u nie vermoei met die groot aantal wenke en voorstelle wat in die verslag vervat is nie, maar dit is absoluut noodsaaklik dat u daar 'n deeglike studie van moet maak en in u eie bedryf moet probeer toepas. My gevoel is dat u Instituut juis op hierdie terrein 'n aktiewe rol kan speel deur alle moontlike weë en middele aan te wend om die resultate en aanbevelings van die verslag aan sy lede tuis te bring en die vooruitgang op hierdie gebied van tyd tot tyd in oënskou te neem. Op hierdie wyse sal u Instituut nie alleen tot die voordeel van die individuele firmas in sy groep optree nie, maar ook in belang van die land as geheel.

Another aspect of a more practical nature which may warrant closer attention is the need for more research and development in re= spect of the fittings of shoes. Everyone of us is well aware of the lot of effort that usually goes into the act of buying a new pair of shoes with a comfortable fit. However, in the productivity survey to which I have already referred, it is stated that, at the time of the survey, "only 10 per cent of the sample companies visited performed fitting tests and carried out research in this regard".

Apart from the harm done to the feet of growing children and indiscriminate grown-ups, the failure to find the right fitting in a particular shop has turned away many potential buyers. A survey undertaken by leading overseas consumer councils has shown that 50 per cent of those interviewed preferred the shop giving them the best value for their money or the shop stocking a wide range of sizes; 50 per cent indicated that a good range of widths was their main consideration for choosing a specific shop; while 33 per cent actually claimed that an expert fitting service was the most important factor influencing their choice of a shoe store.

It appears essential, therefore, that footwear manufacturers should take account of the obvious demand which exists for a satisfactory standard of footwear fittings. In this connection it may be advisable for manufacturers to solicit the assistance of dealers in footwear with a view to improving the fitting service to the mutual benefit of manufacturers, distributors and buyers of footwear.

The future prospects for the footwear industry are promising. This becomes clear if one bears in mind that South Africa hasat its disposal an abundant supply of raw materials, such as hides and skins, as well as its own well-established tanning industry. A further advantage is the ample supply of labour, especially for a labour-intensive industry such as the footwear industry. In addition, the footwear industry had in recent years been characterised by a rationalisation of its activities through amalgamation, which created the possibility of longer production runs at lower unit costs. These advantages, together with the competitive edge provided for exports by the recent devaluation, represent a sound basis for the future development of the foot= wear industry.

The footwear industry can, therefore, look forward to an ever increasing demand for its products in the local market, es= pecially in view of the growing incomes of the lower paid groups of the community. Apart from that, large amounts of foreign re= serves are still being expended on the importation of footwear. With the added protection provided by the recent adjustments in import tariffs on footwear, there should be ample scope for

further/...

further import replacement. This will not only save foreign reserves, but will also serve to enlarge the local footwear in= dustry's share in the South African market.

I sincerely hope that I have succeeded in pointing out the many advantages which are enjoyed by the local footwear industry at present, as well as the good opportunities which exist for future expansion and development, provided management is prepared to meet the challenges involved.

FM 13/2/76 Shoe manufacturer's nightmare … wooing them back will take quality

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# Two steps forward

INSIDE INDUSTRY

## Rationalised ranges and improved quality should help improve shoe manufacturers' profits

**It's been a** wearing year or more for the footwear industry. Rising costs have lifted its own prices steeply. Consumers, anxiously inspecting their wallets, have hung onto their uppers that much longer.

During the first 11 months of last year, local production was, at 40m pairs, down 2,6m on 1974 The two biggest manufacturers' results suffered accordingly. For the year to March 31 1975, SA Breweries subsidiary Shoe Corporation saw taxed profits limp home at R183 000 (R1,1m) Breweries' interim reported a further worsening during the following six months.

Edworks' profits, too, got badly scuffed Those from its manufacturing division sagged to a pre-tax R1m in the year ending June 30 1975 (R1,7m)

Workers have also been hurt by lay-offs, says Footwear Manufacturers' Federation director Geoff Everingham He doesn't know, however, by how many. Inflation, he reckons, is not the only problem. Imports continue to worry the industry

In 1974 they totalled 9,5m pairs with an fob value of R17,1m, and covered a wide range. 3,5m pairs of tennis shoes, 2m pairs of shoes with rubber or plastic outersoles, and 1,5m pairs with leather outersoles

Imported tennis shoes, on the other hand, don't worry the industry — it's hard pushed to meet demand It also accepts higher quality leather-soled shoes with equanimity because their variety helps sustain consumer interest.

It's cheaper shoes with plastic or rubber soles that worry because it anticipates a flood from the Far East, as has already happened elsewhere Government is currently considering an application by the Federation for substantially higher duties (up to R5 less 70% of the fob value)

One importer, Neville Ginsberg, reckons his anger at the application is shared by many Many of the shoes covered by the application, he says, aren't made in SA — eg women's evening shoes with satin or Thai silk uppers

Government could, of course, rebate the duty on such shoes "But, meantime, you have to pay it, so higher duties would eat into your working capital," observes another importer, Mannie Sarkin

Meanwhile, how is the industry going to overcome the problem of rising costs?

Edworks chairman and MD Barney Dodo refuses to say "He never gives Press interviews," says his secretary Given the paucity of information in his latest annual report, his attitude must be as reassuring for shareholders as fallen arches

Shoe Corporation MD Neil Harvey is tackling the problem on two fronts He's reversed the policy of centralising manufacturing and sales control, introduced by his predecessor He's also reduced the number of basic ranges to increase production runs — an achievement sought earlier, but with little success

"In most businesses," says Harvey, "your success depends greatly on how you make the trade-off between what the market wants and what you can produce profitably " The decision to centralise Shoe Corporation's sales force meant, he says, that salesmen were too far from the factories to which they were feeding orders for them to be able to participate in trade-off decisions, or to be able to feed through customers' needs quickly

"They aimed merely at maximising sales," he observes, "without a thought for how much profit they would produce "

Factory chiefs were also no longer able to make vital decisions about which items to produce These, instead, were made in Johannesburg. The result was demoralisation, low productivity and, says Harvey, high staff turnover Yet bad trade-off decisions were being made in Johannesburg because those responsible for them faced too complex a situation.

Harvey's decentralisation policy has been accompanied by a decision to have

**Shoe Corp's Harvey . . . focusing on market segments**

each of the group's production units focus on specific market segments "Their success so far has been almost directly proportional to the degree they've done this," he says

Though there is still room for improvement, especially at the Birch factory in Cape Town and at the Arcadian division at Mobeni, Harvey reports that these and other rationalisations throughout the

STAR 1/4/76

# Footwear workers' pay to be doubled

**Labour Reporter**

The South African footwear industry, which employs about 22 000 workers, has decided to pay a minimum wage of R125 a month from July 1.

The move will mean a 50 percent increase for the industry's lowest paid workers — from a prescribed minimum of R19 a week to R23,50.

Many individual employers are paying similar or even higher minimum wages, such as AE & CI which pays a minimum of R130 a month.

But the footwear industry may be the first industry of its size to prescribe a minimum rate of R125, the poverty guideline set by the Departent of Statistics under the anti-inflation manifesto.

**DECISION**

The decision was taken in Port Elizabeth last week as the compilers of South Africa's two national minimum living or subsistence levels made a strong plea for such a minimum rate.

They pointed out that their guidelines, ranging from about R110 to R120 a month, allowed only for the barest essentials for a family of six. In practice more was required to allow for a decent life, they said.

"Only apprentices and learners may be paid less than R125 a month under the new agreement in the footwear industry," said Mr Steve Scheepers, secretary of the Transvaal Leather Workers' Union and leading negotiator for the new minimum.

~~(1) 326~~
(2) 187

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SUN TIMES (Bus. Times) 24/10/76

# Shoe men tie up R6m deal

Business Times Correspondent

A PORT Elizabeth footwear manufacturer, Bagshaw Gibaud, has negotiated export orders from the United States which could be worth R6-million during the next two years.

Mr John Collier, managing director, said his company would supply America with Hang Ten casual shoes and boots from the South African company

"These are aimed primarily at the trend-setting youth market", Mr Collier said

"Included in the range are genuine leather calf-length boots, hand-sewn casuals and a selection of slip-on and lace-up footwear

Earlier this year Bagshaw Gibaud was awarded the franchise to manufacture Hang Ten footwear in South Africa The quality of the product was such that the American footwear licensees, Georgia Boot of Flowery Branch, Tennessee, a subsidiary of the big conglomerate, US Industries, asked Mr Collier if his company would be prepared to make and supply shoes for the American domestic market

After discussions in Franklin, Tennessee, Georgia Boot have guaranteed the maximum royalty for a two-year period to secure penetration in the American market

It was agreed that the retail marketing and distribution of the range would be handled by the Georgia Boot company

Hang Ten, a relative newcomer in the field, started on the California beaches with surfing swimwear Today the name and the logo of two small bare feet, is known around the world

The South African franchise for Hang Ten clothing is held by Vella Sportswear, another Port Elizabeth company

(2) 18

# Factory [illegible] charges [illegible] says att[illegible]

Mr Sipho Kubeko and Mr Gavin Anderson outside the court yesterday

Staff Reporter

THE Germiston Regional Court was asked yesterday to quash charges against two organisers of the Metal and Allied Workers' Union because they were unclear.

Mr Gavin Michael Anderson, 24, and Mr Sipho Kubeko, 23, face charges under the Riotous Assemblies Act, the Bantu Labour Relations Regulations Act, the Industrial Conciliation Act and the Police Act. They arise from labour unrest at the Heinemann Electric factory in Elandsfontein, Germiston, in March.

Mr G Bizos (for Mr Anderson and Mr Kubeko) said the accused were not clear about the charges they faced.

The charge sheet was jumbled, he said, and he could not defend them if [illegible] did not [illegible] charges.

The [illegible] ap- [illegible] [illegible] able to the def[illegible]

[illegible] the [illegible] known, but the [illegible] the words were [illegible] the charges, he added.

Mr Bizos [illegible] the action [illegible] accused were not [illegible] and asked for the charges to be quashed and [illegible] charge sheet drawn up.

The magistrate, Mr [illegible] H Malherbe, will give his decision on the application today. Bail of [illegible] was extended.

Mr Bizos was instructed by Donnan, C[illegible]llan and Blacklock.

# Unions to fight bid to scrap colour bar

ROM. 8/5/76

① 129
② 174
③ 326

By CLIVE E?DON
Labour Correspondent

EMPLOYERS in the massive steel and engineering industries have proposed scrapping the industrial colour bar and most job reservation. If successful, this would create new job and training opportunities for 270 000 African workers.

However, the registered trade unions in the industries, predominantly White, but including Coloured and Asian unions, are expected to fight any bid to seize their control of all facets of skilled labour

The confrontation which is certain to develop will be heightened by the demands from Government industries, such as Iscor, for State backing of the Seifsa proposals

The proposals have been tabled by the 33 employer organisations that constitute Seifsa (Steel and Engineering Industries Federation of South Africa) with the 10 White and Coloured trade unions in the industries

The unions, representing some 80 000 White and Coloured workers in an industry employing 270 000 Africans, say they will fight "tooth and nail" to protect their members and, clearly, their control on skilled labour

The key to lifting the industrial colour bar is the "closed shop" clause of the industrial agreements between the employers and the 10 unions Seifsa says the clause should be deleted, terming it "discriminatory" in that it "confers privilege on certain trade unions party to the agreements only."

Only unions representing Whites, Coloureds and Asians are party to the agreements

Seifsa also proposes scrapping all job reservation prescriptions below the Rate A scale — the artisan rate, which takes in some 50 000 White, Coloured and Asian artisans About 25 000 to 30 000 workers of these races fall below the Rate A, and job reservation currently protects jobs expressly for them down to a Rate D.

So far, 5 000 Africans have moved into skilled jobs and the top semi-skilled jobs in the job reservation areas of Rate C and Rate D under special exemptions. With job reservation removed, thousands more would have job and training opportunities open to them.

The current wage agreements in the industries expires on June 30. The two controversial demands from Seifsa come into the open at the first round of negotiations with the unions on Tuesday

During the past 18 months, there have been a number of calls from different quarters for the scrapping of job reservation They have included Mr J. P. Coetzee, managing director of Iscor, the huge Government steel industry which employs 24 000 Whites and 25 100 Blacks; Mr J. C. K. Erasmus, chairman of the Cape Midlands Bantu Administration Board; Dr S P du Toit Viljoen, chairman of of the Bantu Investment Corporation — as well as Mr Barney Bouwer and Mr Ben Nicholson, respective general secretaries of the SA Boilermakers' Iron and Steel Workers, Shipbuilders and Welders' Society and the SA Electrical Workers Association

Both Mr Bouwer and Mr Nicholson, however, say that if job reservation is scrapped, skilled workers, irrespective of race, must be paid the going rate.

This week the Minister of Labour, Mr S P Botha, said he would grant exemptions from job reservation measures for Blacks where warranted, but job reservation would continue to be applied as in the past "with the necessary discrimination."

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ABBREVIATIONS

# Kick where it hurts for shoe workers

Own Correspondent

PINETOWN — Beta shoe company reopened today after an extended Christmas closure of five weeks.

For most of the firm's 1,400 employees the extra two weeks leave was without pay.

Bata's personnel manager, Mr D A Bell, said the shut down was the longest since the factory opened in 1955.

He said although the industry was in a slump there was no question of retrenchment at this stage.

Mr Bell said Bata was considering opening retail stores selling direct to the public.

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| A | , Transvaal Archives |
| Acc. | |
| Add. Mss | Manuscripts) |
| AYB | ok for South African |
| C.A. | ape Town |
| C-B | ll-Bannerman |
| CO | British Colonial Office |
| DSAB | ith African Biography |
| FK | in the Transvaal<br>l Office, Great Britain |
| GLCC | unty Council |
| GS | oewermentsekretaris,<br>O.F.S. |
| JL | Jagger Library, University of Cape Town |
| LA | Leyds-Archief |
| L.S.E. | London School of Economics |
| L.S.F. | Library of the Society of Friends, London |
| MP | Milner Papers (South Africa). Photostat volumes in the Transvaal Archives |
| N.G.K.A. | Archives of the N.G.K. (Dutch Reformed Church), Cape Town |
| N.L.W. | National Library of Wales, Aberystwith |
| O.F.S.A. | Orange Free State Archives, Bloemfontein |
| P | Archives of the President, Orange Free State |

# Built to last

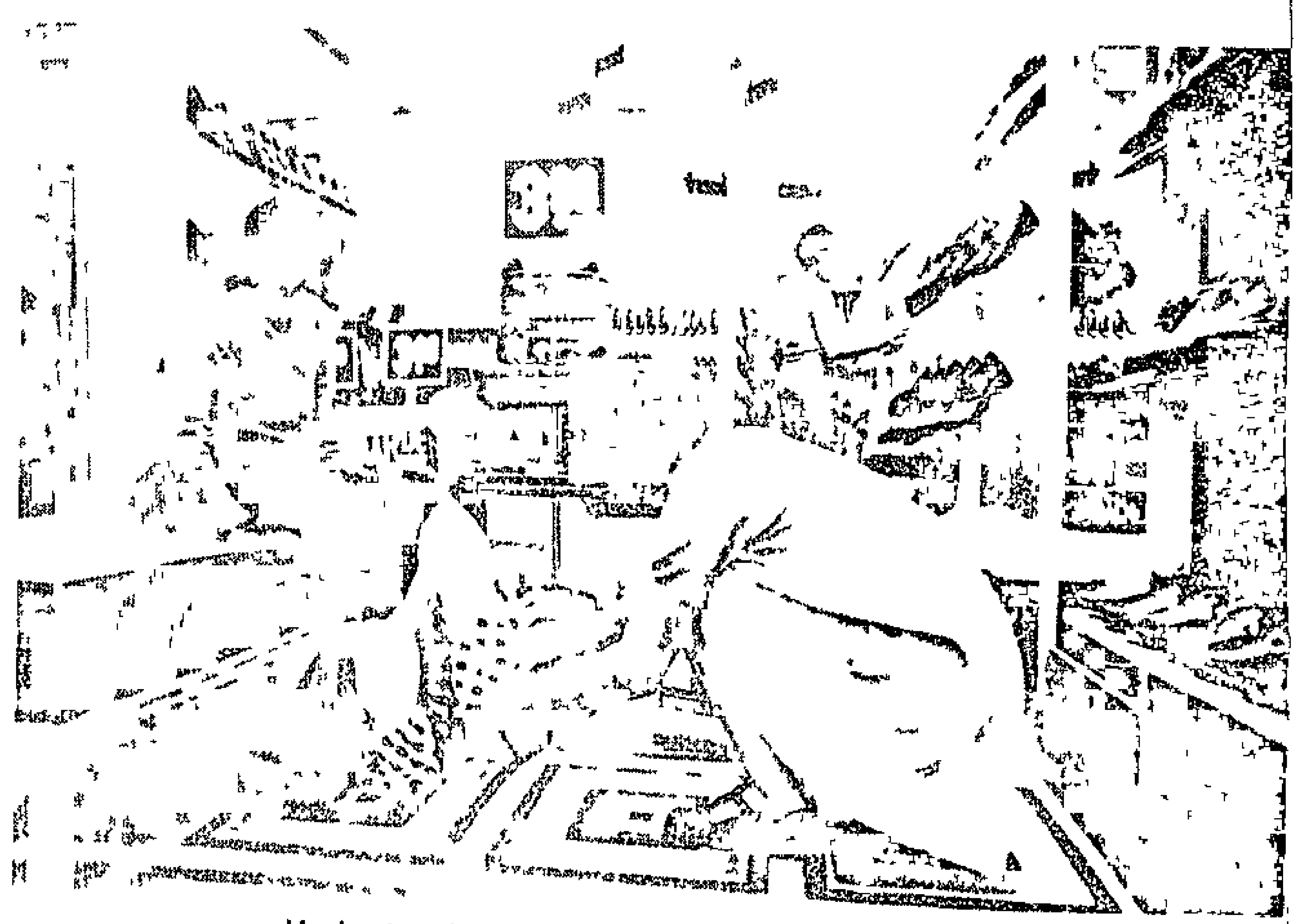
Fin Mail
4/2/77 (187)

The footwear industry may have a few stones in its shoe, but it's still jogging along nicely

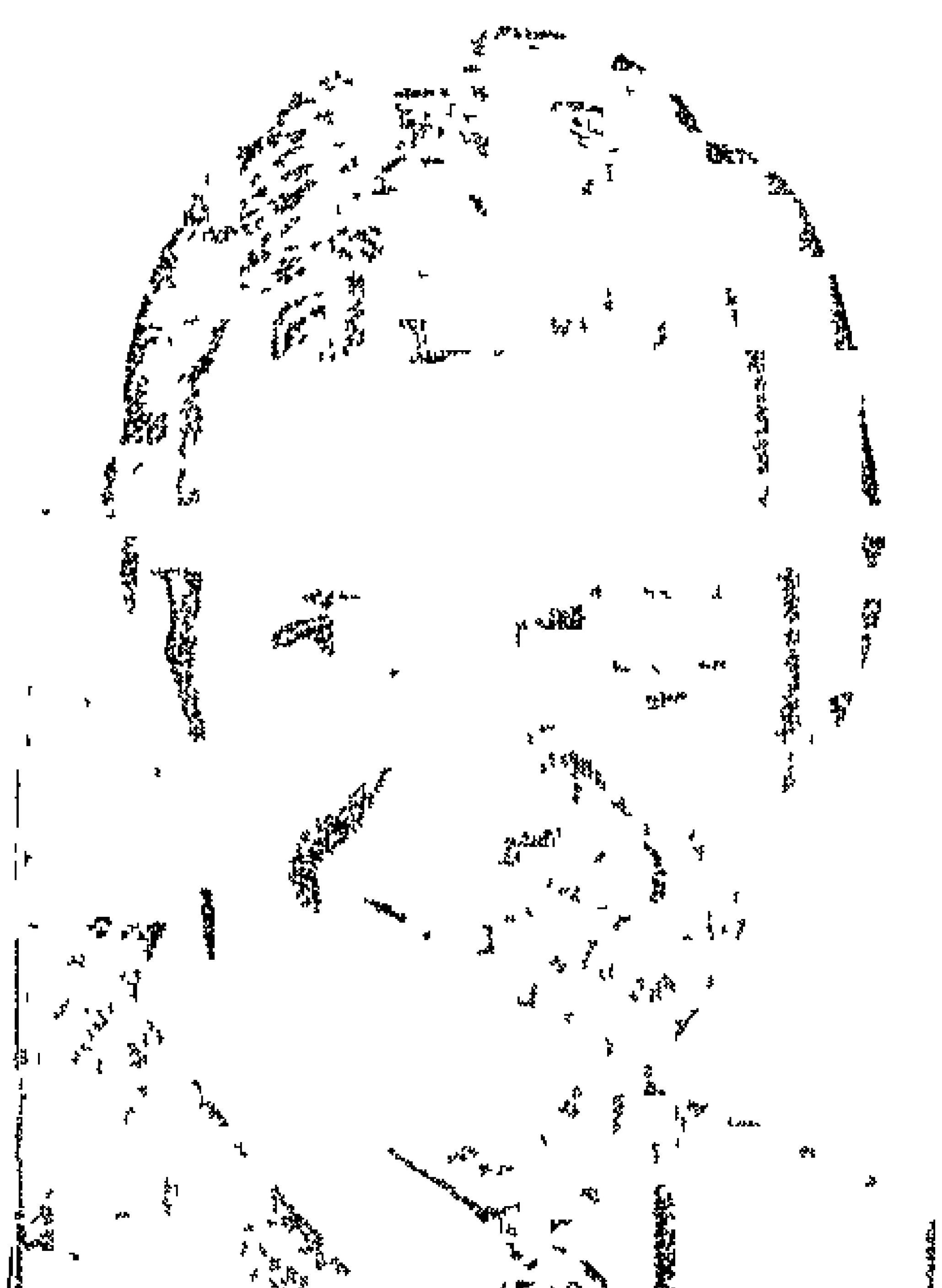
**Shoemakers** are treading warily these days. The trouble is that we're all padding around in fewer styles, hanging on to our uppers that much longer and when we *do* buy we're tending to buy down-market.

As a result the footwear industry has done little more than shuffle along for the past three years. For example during the first 10 months of last year local production was at just over 39m pairs, a bare [illegible]m pairs up on the previous year. Though comforting on the face of it, those production levels represent no more than a return to 1974's output.

During the first eight months of last year imports hovered around 7m pairs worth about R16,3m calculated at fob prices. By the time the shoemakers have done their year-end sums local production will probably have panned out at something like 44m pairs with another 9m-10m pairs brought in from overseas.



High street retailers ... clearing the back-log



Shoe Corp's Harvey ... "we'll be even stronger"

For the most part imports don't worry the industry. They're at the cheapest end of the market anyway while the odd lines at the premium end serve to sustain consumer interest. Besides, shoemakers aiming at the upper end reckon that soaring raw material and labour costs overseas will price imported premium products off the shelves.

Even so the Footwear Manufacturers Federation (FMF) is preparing a revised case for higher import duties for presentation to the Board of Trade and Industries in four or so months time. At present duties range from 3%-30% based on fob prices. Trouble is, explains Federation director Geoff [illegible], that's all very well for high priced items. Lower priced tennis shoes on the other hand hardly collect a penalty.

He might have added that 30% of damn all is damn all. He didn't, but the Federation is nevertheless expected to press for a sliding scale which would bring proportionately bigger penalties to bear on the lower priced items.

Against such a backdrop one might have concluded that the industry's profits are looking a trifle scuffed. That's hardly the case. For the year to March 31 1976 SA Breweries subsidiary Shoe Corporation saw after-tax profits recover to R845 000 (R183 000). Moreover, and in spite of the closure of its Arcadian division at Mobeni, there's an optimistic mood at the company. MD Neil Harvey, who has done a first class reconstruction job, reckons that "we'll be even stronger by the next year end."

Edworks MD Barney Dodo, with interests in tanning, manufacturing and retailing, is looking to a good year. On the tanning side Edworks exported over R1m's worth of finished leather last year. Manufacturing at some plants (Port Elizabeth for example) is going particularly well while others (such as Pietermaritzburg) are finding the going tough. His retailing interests, though, continue to hold their own.

In short, worries of over supply in the trade, looming metrication, the uncertainty over increased import duties and even the spectre of lay offs among the industry's 21 000 labour force hardly dull the gloss.

The relatively hard times of the past three years may even prove to have been a blessing in disguise. In the first place there's little doubt that the industry has streamlined itself — not through external pressure but as a result of simple economics.

From the supply houses through the machinery suppliers to the footwear manufacturers and the retailers there's a tendency to concentrate on what one knows best. Companies such as Spitz Footwear Holdings (SFH), for example, are plugging away at the top end of the market and leaving, say, tennis shoes to the specialist.

Likewise, SFH is making more of less. Instead of producing up to 500 styles for any one season (there are broadly two, winter and summer) MD Anthony Spitz prefers to concentrate on pushing a maximum of 300.



15/ ..........

MANUFACTURING - Beverages — Includes manufacture of liquor.

MANUFACTURING - Chemicals & products

MANUFACTURING - Clothing

MANUFACTURING - Electricity — See also ENERGY; PUBLIC SECTOR - State Enterprise

MANUFACTURING - Food — See also AGRICULTURE

MANUFACTURING - Footwear

MANUFACTURING - Furniture

MANUFACTURING - Iron, Steel, Engineering &

One manufacturer, with tongue only partly in cheek, tells the *FM* that retailers love to view the impending season's styles and murmur, "I don't like 90% of your range." That's not to say the manufacturer is a bum designer, it's simply that the retailer likes to pick and choose, now, though, he's beginning to find himself shouted down

Harvey puts it neatly "If a factory sets out to satisfy every retailer and every consumer, he won't be around for very long" Harvey has taken one factory and pruned its nine sub-ranges down to six In short, there's increasing emphasis on how a manufacturer makes the trade-off between what the market wants (or thinks it wants) and what can be produced profitably Get that right, and you're in business. Get it wrong, and you're broke.

On the credit side, too, many a manufacturer is getting into exports, boots an' all. Take Bagshaw Gibaud in Port Elizabeth It has signed a contract worth \$7m for the supply of Hang Ten all-leather casuals to the US over the next two years As marketing director Roy MacDonald explains: "Initially, we'll be making, at 25 000 pairs in eight styles, much longer production runs In SA, runs of 3 000 pairs in any one up-market style simply aren't on."

Spitz also has an eye on the Swiss, German and UK markets and is looking to export 30 000 pairs, worth R500 000 at ex-factory prices, in the coming year Collectively, perhaps, small beer — but still a significant improvement on relatively recent exports of R500 000 or so for the entire industry.

Meantime, on the domestic front, talk of a formal get-together of manufacturers and retailers gathers pace. Hitherto, such liaison has either been over a beer or, more recently, through the Implementation Committee which sat to swallow some of the hiccups expected with the introduction of metrication.

What they've done is to pick the eyes out of the existing Mondopoint system (an apparently not-so-simple method of measuring the world's feet) and adapt the result to fit in with the Metrication Board.

Point is, though, that Spitz, his fellow retailers, and the FMF would rue the passing of such formal co-operation True, the idea is hardly breath-taking but the climate for forming, say, a Footwear Advisory Council can hardly be better.

One of the benefits of such a Council would be that retailers and manufacturers could get together before a new season and sort out what the public wants In this way manufacturers needn't fool around with hundreds of styles only to be told "we don't like 90% of your stuff".

There could also be progress in ironing out the present "lumpy" selling seasons Right now, the relatively long summer season (June February), and the much shorter winter season (March-June), tend to throw production schedules out of kilter

Meantime, it's a question of waiting for the corner-store shelves to empty and for manufacturing inventories to clear Since, according to Spitz, the January sales were something of a record, the industry must be half way there.

The industry may have its problems, but few are looking too down at heel

GROUP AREAS - Cape

File here specific material on transport services, amenities, local government in such areas etc., but put housing and associated matters under HOUSING AND HOSTELS

GROUP AREAS - Natal

GROUP AREAS - O.F.S.

GROUP AREAS - Transvaal

| | | |
|---|---|---|
| Growth, economic | See | ECONOMY - General |
| | See also | HOMELANDS - General |

**H:**

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| Hairdressing | See | SERVICES SECTOR - Other |
| Harb | See | PUBLIC SECTOR - Transport |

Fin. Mail 18/2/77 187

HEAL

## THE FOOTWEAR INDUSTRY

In the article on the outlook for the shoe industry in our issue of February 4 1977 Mr Barney Dodo's comment on Edworks prospects may be open to some misinterpretation.

He would like to make clear that whereas some areas of the business are showing improvements in performance there are others where economic conditions have not been helpful.

Accordingly no inference should be drawn as to the profit prospects of Edworks at this stage.

It's early days yet.

HEAI

HEAI

HEALTH & DISEASE - ~~Mental Health~~

HEALTH & DISEASE - Miscellaneous diseases

HEALTH & DISEASE - Nutritional diseases

HEALTH & DISEASE - Tuberculosis

HEALTH & DISEASE - Venereal diseases

HEALTH & DISEASE - Doctors

HEALTH & DISEASE - Dentists

HEALTH & DISEASE - Nurses

HEALTH & DISEASE - Pharmacists

HEALTH & DISEASE - Other medics

HEALTH & DISEASE - Hospitals & clinics

HOLLAND - General

HOLLAND - Labour

Manuf - Footwear 187

# Backward step for shoe firm in capital

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1/3/72 M

Mercury Reporter

PIETERMARITZBURG — Sixty-five workers on one production line at Dick Whittington Shoes here have been laid off until Friday — and worse could follow, Mr. G. H. Crouch, managing director of the footwear manufacturing firm, said yesterday.

Mr. Crouch made this gloomy prediction less than a week after re-employing a third of the 75 employees retrenched in early February.

He said in order to balance the company's "thin order position" it had been decided to temporarily shut down one production line at one of its two Pietermaritzburg factories.

About 65 workers — 10 percent of the company's total labour force — were told to go home yesterday and to report for duty on Friday.

Indications are that further drastic steps may have to be taken to counter the drop in orders.

"The economic position has not yet hit rock bottom and we are expecting worse to come. We are very unhappy about it," said Mr. Crouch.

The 65 employees affected are on the stitch-down line at the company's Lincoln Road factory. The other factory at Plessislaer has not been affected.

About 30 workers at the International Harvester assembly plant in Pietermaritzburg will be working for two weeks a month following a decrease in demand for the company's eight-ton trucks.

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# COBBLING UP JOBS

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8/3/78 Mercury Reporter

**SHOEMAKERS left without jobs when their Mobeni factory closed have decided to "go it alone" with their own co operative.**

About 475 lost their jobs when Shoe Corporation, a South African Breweries subsidiary, closed its factory near Durban at the beginning of the year.

The company found jobs for some but many were left unemployed, including Mr. D. R. Singh and Mr. V. Rengen.

These two helped form a committee of 10 which met at the weekend and decided to create a co-operative of leather-workers with unemployed workers buying R1 shares.

Mr. Rengen said yesterday "We've decided to do something to help ourselves by forming a co operative society, opening our own factory and becoming self-employed.

"Any leatherworker without a job is welcome to join the co op, and employed leatherworkers can support us by becoming 'sleeping' partners."

The co op will be legally formed on Saturday at a meeting to elect directors.

"We have been promised some fairly cheap machinery by the factory which closed and we have premises in mind."

(1)187
7736

N. Mercury 21/7/77

# Scotts buys shoe plant

Financial Editor

**SCOTTS Stores Ltd. has taken over Adorable Footwear (Pty.) Ltd., the Pinetown manufacturing company, with effect from March 1, 1977. The purchase price was R282 000.**

This was announced by Mr W J D I Scott, chairman of Scotts Shoes, at the company's annual meeting in Durban yesterday

Mr Scott said that the Adorable Footwear factory would fit in well with Scotts' three foot wear factories in Pine town

"It will make a positive contribution to group earnings in the current financial year"

Referring to the retail operations of his group, Mr Scott said that during the first four months of the current year sales were 11 per cent ahead compared with the same period last year

## Sales ahead

"If our retail acquisitions of Lansal (Pty) Ltd, trading as Baby land, taken over last year, and the Fifth Wheel Chain, acquired in March, are included, sales are running at 18 percent ahead of last year"

On the other hand, the group had been forced to lower margins during recent months to main tain sales growth in the "most competitive" consumer market that had developed since March

Group stocks had been reduced since February, and this run-down would continue between now and February, 1978

In spite of the adverse trading conditions the group had opened seven new stores during the current financial year

"We acquired a small chain of two footwear stores in the Cape, McPhersons (Pty) Ltd and have opened a footwear discount division, Shoemarket (Pty) Ltd, which is selling on a franchise basis in the Checkers group multimarket at Southhills, near Johannesburg."

Negotiations were also going ahead to open a further seven specialty stores and a shoe market at Madadeni, outside Newcastle

"In addition, we will be opening two new stores in the Uniewinkels chain by October this year, one in Rossettenville next month and the other in Nelspruit in October

"Our footwear manufacturing division is maintaining its profits, our wholesale division is experiencing fierce competition but overall, I expect our group pre-tax profits to be maintained in the first half of this year compared with last year

# Shoe price rise

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DURBAN — A shock shoe price increase is expected in a few months — while egg prices are expected to drop in mid-Sept.

The Natal Poultry Association attended a meeting in Pretoria yesterday to discuss prices with the Egg Board.

Meanwhile, South Africans can expect to pay up to 30 per cent more for shoes in a few months' time.

A spokesman for the shoe industry in Natal said various cost factors would affect prices drastically ranging from 12 to 30 per cent increases

A major contributory factor in cost increases is the changeover to the metricated shoe measurements which will cost the industry millions.

Other factors likely to cause increases are higher import duties on leather and machinery, wage increases and the increased cost in raw materials — DDC

SUNDAY TRIBUNE

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# Germany to adopt ISO shoe sizing system

9/10/77

**By Alan Peat**

THE controversial metric shoe sizing system Mondopoint, conversion to which could cost the shoe industry over a million rand according to some manufacturers, is also to be adopted in Germany, says Denis Hasenjager of the Bureau of Standards.

On his return from a recent meeting of the International Standards Organisation Implementation Committee, Hasenjager also said that the Swiss shoe company Bally had told him the adoption of Mondopoint would save that company the equivalent of R89 445 annually.

While the argument over the expected cost to hard-pressed shoemakers continues, over 3 800 retailers throughout the country have received a conversion table dealing with the new system. South Africa is the first country in the world to implement the scheme

## Controversy

This has also been a point of controversy, as some manufacturers argue that a country with such a small export volume should not be the leader in new systems Fears have been expressed that, while other countries adopt a Mondopoint system, it may not necessarily be the same as the South African variety.

If this were the case, they say, South Africa would be forced to go through the same costly conversion procedures again to conform with the most universally accepted system.

Bureau of Standard officials have continually rejected this possibility, and have pointed to evidence they have gathered at a number of ISO meetings pointing to a large scale acceptance of the sizing over the next few years.

The next meeting of the implementation committee will take place on October 13 in Johannesburg, to coincide with the South African "Shoes 77" exhibition

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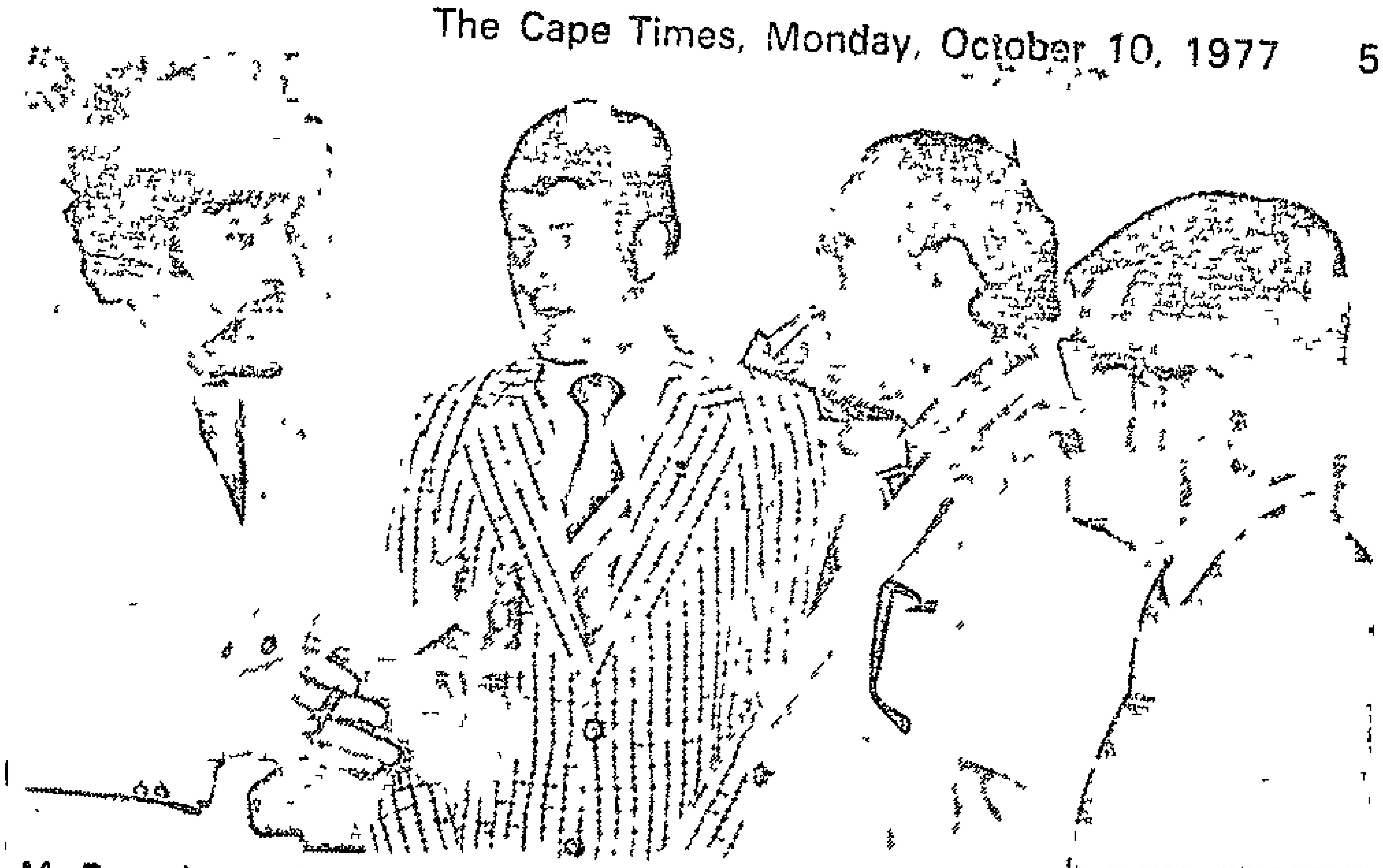

Mr Ross James (second from left) at the International Leather Week Exhibition in Paris where he signed an export deal for his company Barker Footwear Ltd, of Cape Town. With him are (from left) Mr D Rybaka and Mr M Piekolek, both of Charles Vila, the import company, and Paris-based South African management consultant, Mr Peter Fleming.

# Exporting shoes to France

CAPE TOWN'S Barker Footwear Ltd has received a trial order of 600 000 francs (more than R100 000) for France for men's footwear.

A special range of shoes, designed after a retail market survey organized by Paris-based South African management consultant, Mr Peter Fleming, was exhibited at the International Leather Week exhibition in Paris in conjunction with Charles Vila, the importing company which has placed the order

Mr Ross James, Barker's managing director, who attended the show, was enthusiastic about the company's future export potential. "It is only since the local market started to reflect a downturn that we turned our attention to foreign markets, and I am delighted that our shoes have met with such an immediate favourable reception."

Mr James said the shoes would retail in France for about R50 a pair The importing company of Charles Vila specializes in men's footwear and has a distribution netowk throughout France

From France Mr James went to Dusseldorf for a similar exhibition.

## SHOES (187) FM 28/10/77

# Slip-on, slip-off

**Gamesmanship** for the shoe industry at present lies in rising sales of casual and sports shoes

Figures from Market Research Africa show that over a three year period, sales of men's casual footwear have risen from 25,1% in 1975 to 28,4% this year Sportswear sales have doubled from 5,4% in 1975 to 10,1% this year Together at 38,5% the two sections have taken over from formal shoe sales which have dropped from 37,6% in 1975 to 29,6%

"It's a natural trend," says Geoff Everingham, director of the Footwear Manufacturers' Federation (FMF) and follows the clothes fashion of denims and casual wear"

But by and large the shoe industry is beset with problems One which FMF hopes to rectify, is the flood of imports (10m pairs worth R20m and winning some 20% out of the total R250m retail market)

"The three major sections," says Everingham, "are the high-style shoes, cheap tennis shoes (imported nearly duty free) and the casual, sporty footwear which we make locally, but is imported from Taiwan, South Korea and Hong Kong, at low rates of duty"

FMF is making a detailed study of the subject and clearly intends to press for higher duties "Duties are elaborate," says Everingham, "but range from nothing to 30%"

Not all the shoe industry, however, is in favour of higher duties — at least on certain categories of shoes. "Take the high-fashion range," says one shoe man "Local demand for this needs to build up considerably before it's worth tooling up to make here and it's only a small part of the market"

The market is depressed anyway. "Production," says Shoe Corp's MD Neil Harvey, "is down 7,6% in the April July period over last year"

Manufacturers are increasingly looking at export potential "We started working on exports about a year ago," says Harvey "We've done some small trial exports to Africa and the UK" Best business so far has been a trial order of R100 000 worth of men's shoes from Shoe Corp subsidiary, Cape-based Barker Footwear, to France

Another hassle for the shoe industry at present is tooling up for the introduction of the Mondopoint measuring system which is to be introduced in July next year

"Changing lasts and machinery is expensive," says one observer, "and there's a whole educational programme to be undertaken At present it's pretty unpopular."

In 1978, shoe manufacturers will have to gear themselves up for commercial TV "SA," reckons one, "is not particularly brand conscious at present TV is going to change that"

S TRIB 13/11/77

By ALAN PEAT

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WHILE SHOE imports are likely to be down this year, the Footwear Manufacturers Federation is still to press ahead with an appeal to Government for restrictions on import levels.

According to Federation chief Geoff Everingham, shoe imports are likely to be about 10 percent down on last year's R20 million — about 10 million pairs.

He said: "The total import bill to the end of August is R12,5 million. With the busy Christmas period yet to be accounted for I would expect the end of year amount to be about R18 million.

"While any drop in imports is welcome, import levels are still too high for a country with a total market of R250 million and we are still preparing our case for protection to present to Government."

While imports in monetary terms are low compared to South Africa's total needs, the 10 million pairs of shoes imported annually constitutes a quarter of the local production in units.

This loss of production line capacity is seen by some manufacturers as a major factor in the industry's declining growth rate.

The annual growth rate of about 8 percent in 1975 has slumped to nil this year.

Largest reduction in imports has taken place in the up-market range of adult footwear. FMF figures show that the total to the end of July is down from more than R6 million in the same period last year, to R3,4 million.

Gym shoe types have also shown a substantial drop in that period, and adult footwear with plastic or rubber soles and non-leather uppers have also fallen from R2,5 million to R1,9 million.

"However," says Everingham, "these drops should be viewed against the background of domestic consumption which has also fallen off considerably."

Bus. NM 25/11/77 (187)

# Scotts Stores to raise R3m

**JOHANNESBURG — Scotts Stores, the footwear and clothing manufacturing and retailing group, is to raise R3,170 million in the form of convertible debentures through a rights offer to its ordinary shareholders, it was announced yesterday by Hill Samuel (S.A.)**

The purpose of the offer is "to raise additional permanent capital so as to reduce Scotts' reliance on short-term funding and thereby finance its financial structure," said the announcement

Scotts' ordinary shareholders are to be offered 12 convertible debentures at par for every 100 ordinary shares held at the close of business on December 9, amounting to a total consideration of R120 for every 100 ordinary shares held.

Interest will be 13,6 percent per annum, calculated and payable in arrear on May 31 and November 30

The debentures will be convertible at the option of the holder at six-monthly intervals from August, 1982, with any outstanding being automatically converted in August 1984

They will be convertible at par into ordinary shares at a conversion price equal to 80 percent of a six-week weighted average market price of the ordinary shares ruling prior to conversion, subject to a minimum conversion price of 400c per ordinary share.

Arrangements are in hand for the rights offer to be underwritten by Hill Samuel (S A.) — (Sapa.)

# Allandale factory opens

16/12/77

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Mercury Reporter

PIETERMARITZBURG — A R150 000 shoe factory was opened at Allandale here last night

Monique Shoes (Pty.) Ltd. opened their new premises in Salford Road.

The managing director, Mr. Gordon Singh, said last night that the factory would employ 120 people. The business first started in 1973 with an output of 350 pairs of shoes a day.

Production had now reached the stage where 1 000 pairs a day are being produced.

Mr. Singh said that although the general economic climate was not particularly favourable at present, the turnover of shoes had continued to increase

The factory was officially opened by the capital's mayor, Dr Ashton Tarr.

# Shoe industry takes a giant step forward

SUN. TRIB. 16/7/78

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By TONY HUDSON

IT SEEMS to be a case of "shanks for the memory", of those old soft shoe blues, as the indications are that there is more silver lining than cloud for the once ailing shoe industry.

Manufacturers approached this week said the days of short weeks and layoffs were gone and retailers are finding that delivery times have risen from a matter of a week or so to up to three months.

Footwear Manufacturers Federation director Geoff Everingham said shoe production for the first four months of the year was at least 10 percent up on the same period in 1977. He reckons the improved import protection has been only a minor factor and put the responsibility for the increase squarely on the shoulders of better consumer demand.

Another reason, he says, is that retailers allowed their stocks to run right down and were now forced to replenish supplies.

Jaguar Shoes' Roy Eckstein said: "We are finding business very good. Previously we could deliver in four to six weeks, now our order book is full right up until October."

Eckstein puts the reason for the increase on both consumer demand and the fact that wholesalers and retailers have been busy restocking.

A contributory factor to the up-turn in the fortunes of the industry is that a number of factories closed during the recession with the result that their production has been taken up by the survivors

The drop-outs included Shoecorp's ill-fated Durban-based Arcadian footwear which was producing 7 000 pairs of shoes a day when it closed down.

Eckstein has every reason to be pleased with the change in the situation for he estimates turnover is up 20 percent on last year — and he feels the situation will continue to improve until Christmas is over.

"Barring any major political upheavals, it could well continue to improve next year," he says.

On the retailing front, Anthony Spitz of A&D Spitz says there has been a definite increase in consumer demand over the last three months. "Retailers are buying to build up stocks while the public is now buying more often," he said.

Questionnaire to workers

Name (first name only)

Farm number

1. How did you come to this farm?

2. Have you ever though of going to work in a city?
If yes, why don't you?

3. What sort of work (if any) would you rather do - either on a farm or somewhere else?

4. What jobs would you like your children to do?
Why?

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FM 28/7/78

## JOB RESERVATION

# Can of woodworms?

**African furniture** workers are now allowed to do skilled non journeyman work (*FM* July 7) But not all employers believe the concession is a breakthrough

One who doesn't is Graham Theobald, MD of Brudd Furniture, who tells the *FM* "The changes are not a breakthrough -- merely a slight and insignificant step forward" Despite the change, he reckons, the approach of both employer association and trade unions in the industry "is still racially oriented"

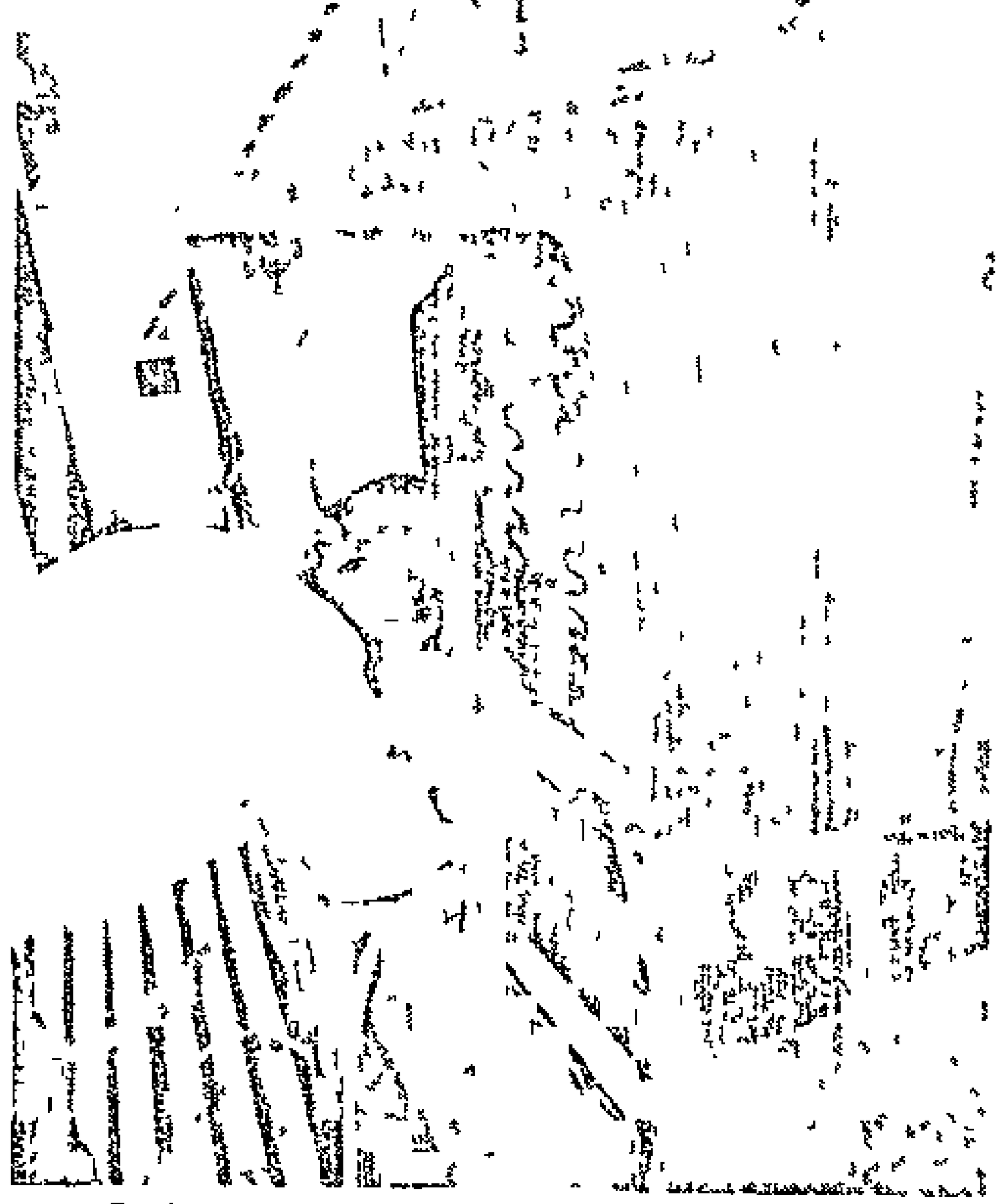
Theobald is particularly unhappy about the clause in the industry's new industrial agreement which states that an employer can't train Africans for the (Grade 2) work they are now allowed to do if there is a (coloured) union member capable of doing the job

This, he says, will allow the union rather than management to decide who will be trained and adds "they will always claim that there is a coloured in the factory who is capable of being trained and that will be used as grounds to refuse us an exemption to train a black worker"

Theobald says his firm has a good number of unskilled coloured workers in its plant and says that, in terms of the agreement, he would still have to give them preference This would bar the jobs to Africans for years to come

He claims that the situation is worsened by the fact that there is a shortage of coloured journeymen in the industry and says that his firm is forced to employ untrained coloured workers in Grade 2 work

Under the new agreement, says Theobald, employers can't replace these union men with Africans Not only does this mean that "I cannot dismiss an incompetent coloured worker and replace him with a black" but, he adds the fact that unqualified union men occupy Grade 2 posts bars these jobs to Africans An untrained coloured worker still gets preference over a trained African



Coloured furniture worker . a protective barrier?

Theobald is also opposed to the stipulation in the new agreement that Africans must have worked in the industry for four years before they are entitled to be trained for Grade 2 work "We can't employ trained Africans in unskilled jobs for four years just so that we can apply for an exemption four years later It's farcical"

Furniture industrial council secretary Phil Smit rejects these claims "It's simply not true that unqualified union men work in Grade 2 jobs Our council simply doesn't allow it

"Nor is there a shortage of journeymen in the trade Any employer who needs skilled labour simply has to phone the trade union and they'll give him six journeymen on the turn" He adds that any employer who has a trained black on his staff up to now has trained him illegally -- unless he's been trained in a border area, in which case he must work in that area or has our permission"

Smit adds that he "simply can't see how anyone can say this isn't a concession Up to now blacks have not been allowed to do the work and, since the agreement was signed, we've already granted a few exemptions enabling them to do it"

Smit acknowledges that the agreement has safeguards for union men written into it but adds "These people have served the industry loyally for years and we have a duty to protect them Any employer can find an excuse to fire a worker for 'incompetence' and we want to protect the people in these jobs already"

He says that the aim of the change is to "advance those blacks who are already in the industry and to give them a future in the industry We introduced the four-year qualification because we don't want employers flooding the industry with non-union labour

He doesn't dispute that the terms of the agreement might not be to some employers' taste -- nor does he contest that (coloured) union men have an advantage He adds, however "Employers must think of the industry as a whole, not only their own needs We can't let large numbers of blacks into the industry — they're not allowed to belong to registered trade unions and the union has a right to ensure that it remains representative"

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## Profit up 15 percent over last year

# SHOECORP SHOWS NO SIGNS OF BEING DOWN AT HEEL

By TONY HUDSON

DESPITE what was called the toughest trading period for the last 30 years, Shoe Corporation produced an after tax profit of R1,74 million for the year to March 31 — an increase of 15 percent on the previous year.

Shoecorp managing director Neil Harvey says that while a negative growth in the industry was expected, conditions were far worse than expected

During the period under review, national production dropped by 4,6 percent However, Department of Statistics figures showed a 9,8 percent decline in monetary terms and a drop of 20,6 percent in real terms.

Estimated national retail sales rose by 5,1 percent in money terms to R378 million but was down by 8,3 percent in real terms.

The fact that Shoecorp continued to show profit growth during this period shows that drastic steps taken by its parent, South African Breweries, back in 1975-1976, are bearing fruit

In 1974, the company showed a profit of over R1 million in a year that was the growth period for footwear However, in 1975 profits plummeted right down to just over R180 000

SAB undertook drastic reorganisation and in 1976 profit struggled shakily up to R845 000 The year to March 1977 showed the turning point had been passed and after tax profits increased by a hefty 79 percent to R1,5 million.

Harvey refuses to say just what growth he was looking for in the coming year, and says "With a reasonable level of economic growth in the next three years, profits are expected to show appreciable and sustainable growth"

It would, however, be safe to assume that he is looking for a figure somewhat higher than this year's 15 percent, as this was achieved during a period that Harvey describes as "horrendous"

Shoecorp's balance sheet has changed significantly since the shake up, as the following ratios show (1975 figures first, then 1978): Current assets/current liabilities 1,64, 2,20, Debt/equity 1,03, 0,55; Cash flow/total liabilities 0,12 0,26

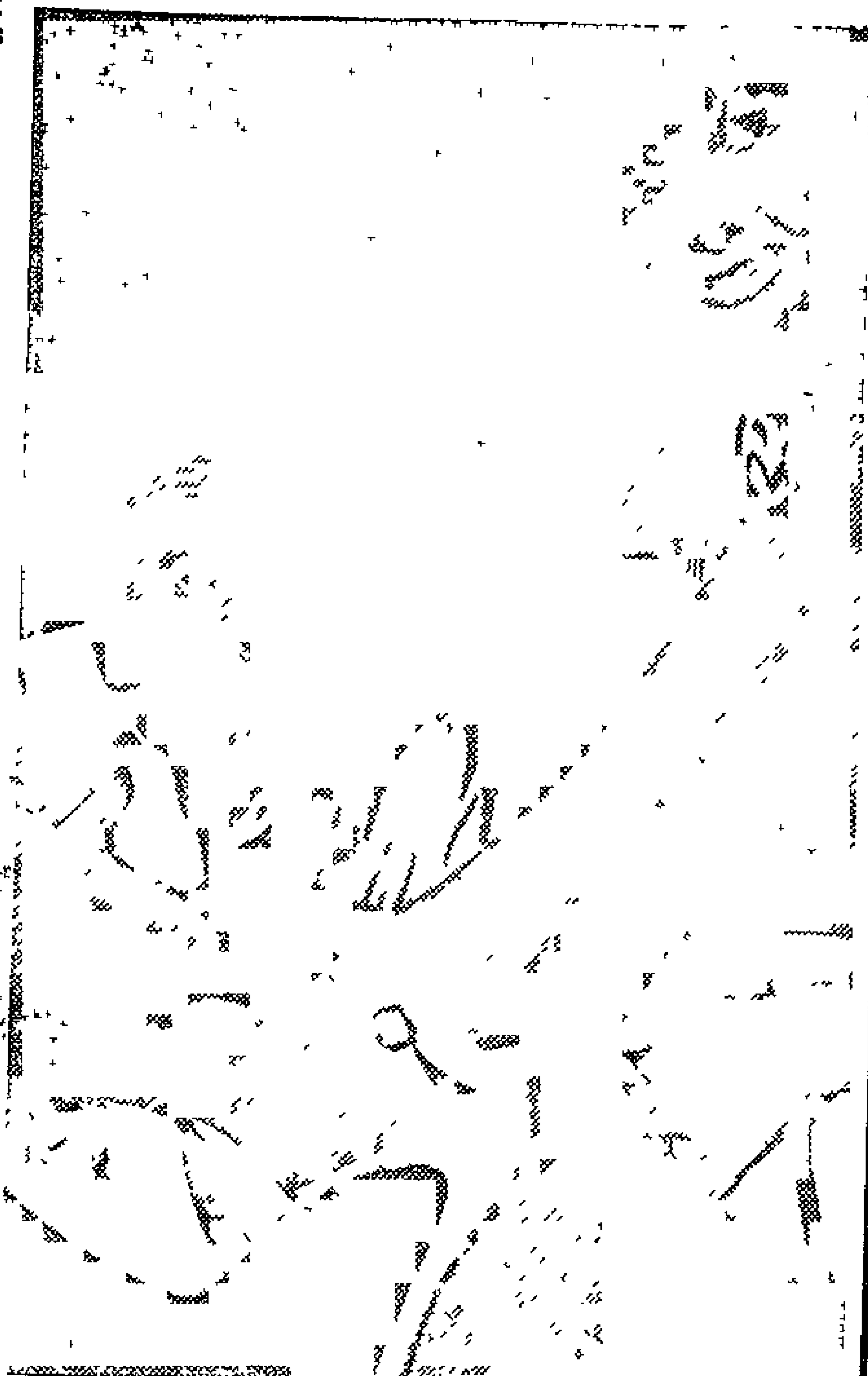
During the last three years, the company has changed from a centralised, highly complex business, to one with 10 decentralised operating subsidiaries with a group head office The operating companies are responsible for achieving previously agreed upon results

Harvey attributes the turnaround in Shoecorp's fortunes to three main factors They are the strategy adopted for the company and its subsidiaries, the motivation of staff and the fact that the operation started from a very poor base

He also places great importance on staff training and says that during the last year the company spent over R100 000 in this field.

Production is currently running in the region of 12 000 to 13 000 pairs a day with some factories working close to full capacity.

The possibility of funding expansion does not worry Harvey "A shoe factory is just a shell," he says, "and if you need extra capacity, it is easy to lease equipment and hire a place to work"



"Are you trying to boost shoe industry profits all on your own?" Noel Glover asks Erina Stumke

# Management programme extends to Natal

By ALAN PEAT

THE recently formed Production Management Institute of South Africa hopes to be able to extend its advanced diploma programme to Natal.

The institute is to hold an open meeting on August 28 in Durban to assess the senior management interest in the Province.

Said local representative of the institute, Peter Mitchell of Renwick Management Services: "We are planning this introductory meeting to define the objectives of the institute and to promote the interest among senior industrial leaders.

"The whole thing has arisen as a result of the awareness of both private enterprise and the Government of the need to increase productivity."

Mitchell stresses that the diploma level is accepted throughout the Western business world as a skill that all production management, who have not done a similar business degree course, must reach.

Candidates in the advanced diploma programme who become fellows of the institute may apply for membership of the Institution of Works Managers in Britain.

The syllabus for the diploma has been designed in close association with Unisa, and the executive chairman of the institute is Professor Piet Steyn of the University's Department of Business Economics.

Mitchell emphasised the senior management course will only require a work-break of two days each two months to attend an intensive lecture seminar for each of the four parts of the diploma.

The adjudication of each candidate is from written assignments done in the two month re-inforcement period between each seminar. These relate the extensive technical lecture information to the candidates' own work.

Details of the institute and the Durban meeting can be obtained from Peter Mitchell at Durban 721953

187 FM 11/8/78

First research by Shoe Corporation indicates that the SA white woman goes through 4 pairs of shoes a year, about the same quantity as her counterpart in Europe. However the SA black woman goes through only 1,5 pairs a year.

## SHOE INDUSTRY

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## Stepping out

FM 18/8/78

**A step in** the right direction, as far as SA shoe retailers are concerned, is the formation of the Footwear Retailers' Association, shortly to be legally constituted.

While manufacturers have been represented by the Footwear Manufacturers' Federation, until now retailers have had no organised body.

Says chairman Stan Friedman, managing director of Johannesburg-based Squires Shoes: "Retailers have needed this for 20 years."

The association, according to Friedman, is to provide a corporate voice to negotiate with government, and labour unions. Affiliation with the Shoe Retailers' Association of America is expected to keep it abreast with overseas trends in marketing, retailing and fashion.

"The Association will make industry statistics available to its members," says Friedman, "benefiting the retailers, and ultimately the consumer." He estimates that there are about 900 shoe outlets and 15 major chains in SA.

The industry itself seems to be picking up.

Low-priced imports are still causing concern but made up 16% of total sales last year, compared with 19% previously. In 1977 52m pairs were sold, of which 8,5m were imported.

"While imports are not excessive at the moment, the rate of growth over the past few years has still been disturbing," says Dr Colin Tite, group services director of Shoe Corporation. "We don't want to arrive at the situation some other coun-

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GEOGR

Industrial Location :

The National P.D. Pla … icies that restrict Black Migrant Work … the Cape Peninsula.

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Labour in the Textil … le Worsteds.

Solar Radiation Pat … eb in the Namib Desert.

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A Comparison bet … Cape Flats.

A Case Study of … l Suburb.

Spatial Analysi … e Peninsula.

Brasilia - Succ … jects.

Economic Blight

A Study of Lan … siness District.

The Impact of … d.

An Economic a… … itial Component in the Mill Street/Orange Street.

An Evaluation of the O'Okiep Copper Company in the Namaqualand Copper District - A consideration of the effect on the area if the copper mines were to close down.

The Transport System of a Bottling Industry in Lilongwe, Malawi.

A Study into the Effects of Seasonal Winds and Sea Temperature on the Catching of Yellowtail at Fish Hoek Beach by Seine-Net Fishermen.

Factors Determining theEcological Environment of the Cape of Good Hope Nature Reserve, with Regard to the Alien Vegetation.

A Study in Coloured Shopping in Athlone and Claremont.

Models of Rural Land Reform - The Tanzanian Case.

The Way in which Perceived Distances Differ from Actual Distances Within an Urban Area.

Examination of the Importance of the Variable, "Length of Residence" on Local Imagery.

Transkei : An Illustration of its Potential.

Cape Town Electoral Districts.

Perceptions of the Cape Peninsula Landscape 1900 - 1977.

M & S SPITZ (187)

# No clodhopper FM 13|10|78

**Activities:** *Makes ladies' footwear and retails men's, ladies' and children's footwear through 22 outlets. The directors hold 77% of the equity*

**Chairman:** *A M Spitz.*

**Capital structure:** *2,6m ordinaries of 50c 42 500 5,5% and 75 000 second 5,5% cum prefs of R20. Market capitalisation. R3,8m*

**Financial:** *Year to June 30 1978. Borrowings· long and medium term, R824 000, net short term, R1,3m. Debt·equity ratio: 70,4%. Current ratio: 1,6. Net cash flow· R637 000. Capital commitments. R103 000.*

**Share market:** *Price: 145c (1977-78· high, 150c; low 55c; trading volume last quarter, 26 000 shares). Yields. 19,7% on earnings; 6,9% on dividend. Cover 2,9. PE ratio: 5,1*

**Chairman Anthony Spitz** anticipated an improvement after last year's disappointing results, but it is the extent of the upturn that is most pleasing for minority shareholders. After four years of a 7,5c payout, the dividend has been raised to 10c and the share price has doubled over the year.

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Return on cap % | 24,8 | 22,7 | 18,0 | 28,3 |
| Turnover (Rm) | 11,7 | 12,9 | 11,8 | 11,7 |
| Pre-tax profit (R 000) | 705 | 704 | 519 | 888 |
| Gross margin % | 7,9 | 7,4 | 7 3 | 10,4 |
| Earnings (c) | 14 9 | 16,1 | 11,8 | 28 5 |
| Dividends (c) | 7,5 | 7,5 | 7,5 | 10,0 |
| Net asset value (c) | 74 | 83 | 87 | 107 |

How did the group manage to more than double earnings on slightly lower sales? Spitz reports that the main improvement came from the former loss-making manufacturing division which he claims is now "the dominant manufacturer in the quality women's shoe market." In addition, the wholly-owned seven-store UK retailing chain, Carvela Shoes, became profitable after start-up losses.

On the retailing side, consumer demand undoubtedly fell, admits Spitz. However, confidence in this division is such that a specialist chain is to be launched early in 1979 Starting with seven stores, the chain is aimed at a new breed of customer, says Spitz, the sophisticated, fashion-conscious and increasingly affluent (she has to be) young Ms

More than doubling cash flow has eased liquidity, and meant less reliance on outside capital. Total net borrowings were down from R2,7m to R2,1m But this de-gearing was probably only achieved towards the year-end, as the interest charges remained a relatively high R337 000 (R339 000). However, capital was utilised far more effectively with a return of 28,3% (18%) achieved

On sales so far, Spitz is optimistic for the current year. The shares are trading near their 1977-78 high on an historic 7,0% yield In view of the record, there could be more upside potential

*Gillian Counihan*

(37) FM 24/11/78

## SEARLES

# No shoe shine

**Activities:** *Holding company whose main subsidiaries, Watson Shoes and Oudtshoorn Footwear, manufacture men's and ladies' shoes. Also active in the sawmilling and housing industries. The directors' beneficial stake amounts to 14% of the equity*

**Chairman:** *W M S Franklin*

**Capital structure:** *955 000 ordinaries of 100c, 175 000 5,5% prefs of R2 Market capitalisation R1,4m*

**Financial:** *Year to June 30 1978 Borrowings: long and medium term, R1,7m, net short term, R1,2m Debt equity ratio 53,7% Current ratio 1,8 Group cash flow R1m Capital commitments Nil*

**Share market:** *Price 150c (1977-78 high, 180c, low, 100c; trading volume last quarter, 29 000 shares) Yields 50,7% on earnings, 10,7% on dividend Cover: 4,8 PE ratio 2,0*

| | '75 | '76 | '77 | '78 |
|---|---|---|---|---|
| Return on cap % | 12 3 | 15,8 | 17,0 | 12 8 |
| Turnover (Rm) | 7 9 | 10,5 | 15,0 | 14 9 |
| Pre-tax profit (Rm) | 0 5 | 0,9 | 1,2 | 0 8 |
| Gross margin % | 7 5 | 10 1 | 9 9 | 7 3 |
| Earnings (c) | 31 6 | 53 2 | 47,7 | 76 1 |
| Dividends (c) | 11 | 14 | 14 | 16 |
| Net asset value (c) | 416 | 460 | 499 | 534 |

**This hybrid company** produced mixed results The exceptionally low tax charge enabled earnings to rise when profits had fallen

Slack demand in all areas resulted in slightly lower turnover. Gross margins were squeezed and pre-tax profit dropped 36%. But with tax on current profits amounting to a meagre R50 000 (R548 000) earnings rose from 47,7c to 76,1c

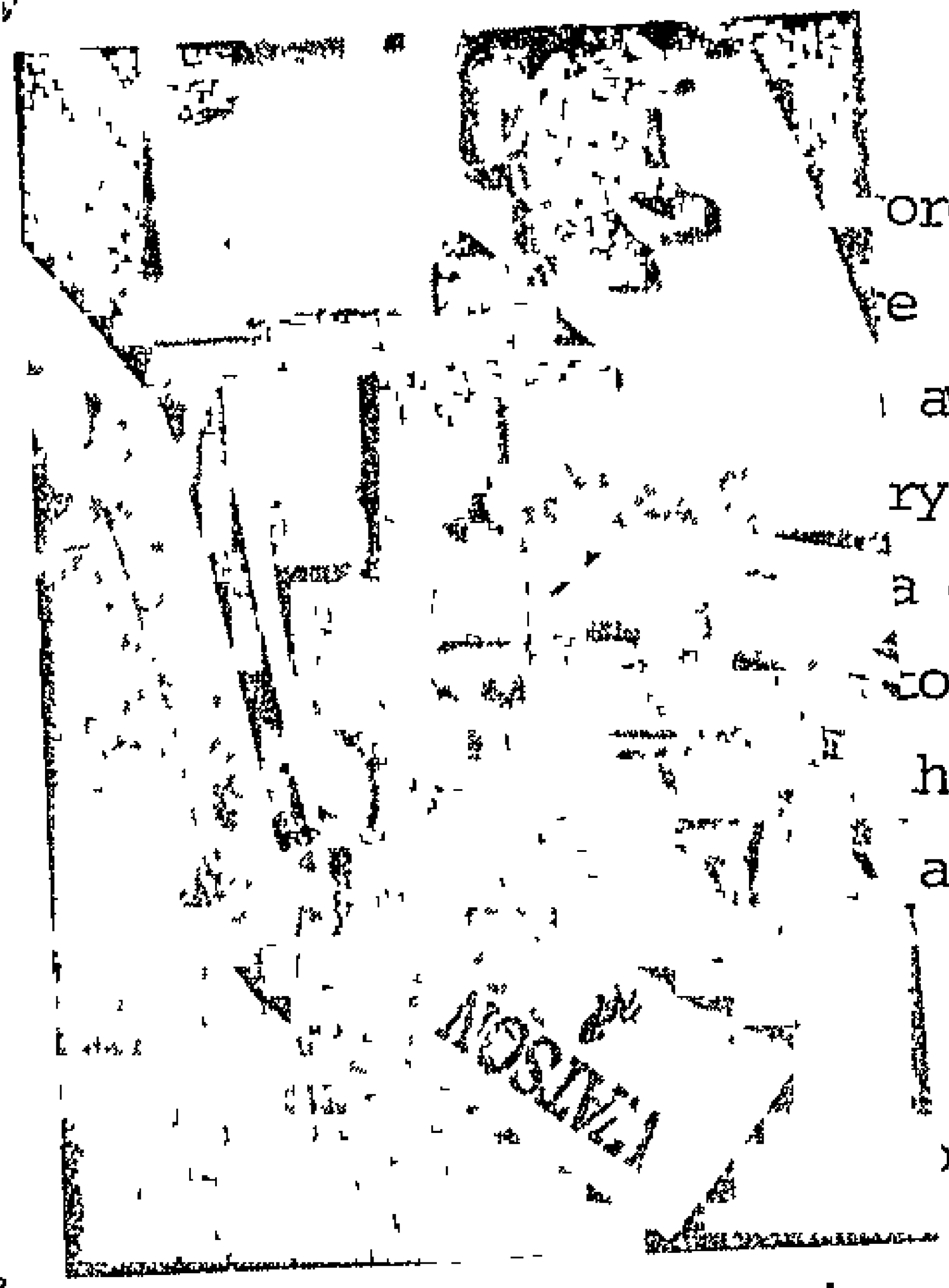
The reason for the abnormally low tax was that assessed losses of R623 000 were applied against profits Auguring well for the current year, an additional R653 000 in assessed loss is carried forward to 1979 against future taxable income.

Results from both manufacturing divisions were worse. Footwear pre-tax profit was down from R1,4m to R1,2m, and the loss from sawmilling and timber house manufacturing almost doubled from R245 000 to R476 000

On the footwear side, the drop was largely due to slack demand for men's footwear compounded by supply problems The market for ladies' shoes was more buoyant, but profits could not be increased. For the current year profit prospects are better, with "definite signs of a revival in trade"

Sawmill production was cut back for the first four months of 1978 due to the poor market for sawn timber However this has since improved and the chairman expects the market to "expand slowly but steadily."

Overall, he adds, group prospects look good So, tax advantages aside, earnings should improve At 150c, yielding a 4,8 times covered 10,3% and backed by 534c worth of assets, the shares do not look over priced



Searles shoes . . . not enough demand for them

ords, a rather narrow definition.
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ve system of labour relations
e was inadequate and that when it was subjected
African workers eschewed it, employers showed a
use it in a meaningful way, and even the State implemented

TIONS REGULATION ACT (NO. 70 OF 1973)

r unrest the Government moved quickly to overhaul the
a draft Bill embodying its aims in this regard. Its
s of the Minister of Labour "... evoked wide interest,
proposals for its improvement were received from most
' organisations, from trade unions, individual employers
As a result the authorities altered the original Bill
e Bantu Labour Relations Regulation Amendment Bill.[25]

ned the three-tier system, which had operated for
ain important differences.

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390, 6 June 1973.

elicited by these Bills is recorded in: Muriel Horrell
A Survey of Race Relations in South Africa, 1973.
R.R., 1974 pp.276-281 and 286-291.

# MANUFACTURING — FOOTWEAR.

14 APRIL 1979 — 14 NOV. 1981

6

a small change in ~~other~~ money supply results in a large change in the interest rate. The monetarists that this change in interest rates caused an increase in investment which caused a significant increase in aggregate demand Therefore there view was that money supply affected both aggregate demand and the price level and was more important than fiscal policy.

Liquidity trap - Keynes view was that if interest rates fell low enough people would ~~not~~ hold money in speculation that in the future interest rates could only rise ~~&~~ to improve the prospects of investment. at this point interest rates were perfectly elastic.

demarcation between skilled employees and management, state arbitration being relied upon by the former to mediate these conflicts in a direction which ensured their privileged socioeconomic position in the industry 33/

The establishment of a Human Resources Group (financed with half a million Rand for 1975) to research into social and economic conditions on mines appears to have a number of functions to provide inform[...] into both specific and industry problems, using the methods of [...] to examine and articulate long-term managerial interests, [...] levels of discontent and provide post-conflict evaluation [...] 'manage unrest', to assist in the formulation of strate[...] lating to manpower utilisation, labour policy and produc[...] and to promote profitable means of mediating management/[...]

The promotion of training schemes, combined with the ap[...] political pressures and lobbying to induce a greater st[...] 'job fragmentation' schemes, is also likely to become [...] overall labour policy, even if the short-term price is [...] higher wages to white miners On the other hand, the five day week initially scheduled for introduction in mid-1975,* under pressure from the various white unions, has paradoxically provided further short-term protection to skilled artisans which may well boost average white earnings above the 1975 average level of R7 929 monthly but potentially at the cost (to them) of greater efforts being made by mine owners to maximise the rate of change towards exclusive managerial control over the technological and social characteristics of the production mix To date, however, the 68 percent rise in white average earnings to R6 409 per annum in the 1969-74 period belies the view that black wage growth in this perid has 'cost' white workers

Secondly, at the national level, important initiatives have already been taken, apart from aligning the minimum mine earnings level more closely to competitive rates in the urban-industrial complex Rates in the latter, especially manufacturing, have also risen since 1970 by 22,8 percent to R87,20 monthly in

The aquisition by mineowners in 1974 of a relaxation of the state requirement that workers finishing their time-defined contracts be directly /'repatriated'

* But not yet introduced by July 1976



From this figure would need to be deducted those which local policy would ensure, by various means, were insulated from recruitment for the purpose of satisfying local employers in agriculture, industry, mining and (to a lesser extent) domestic employment. Clearly, both of these estimates, crude or otherwise, require some projection about likely structural developments in the economy. In particular, regard must be given to unemployment, income distribution, rural development, demographic trends, labour supply growth, foreign African labour policy as well as potential male/female [...]tution in local labour markets.

The 1965 [...] aged 16-60 years at the time of enum[...] fied as a person who actively sought employment in the week before [...] was conducted. Hawkins has correctly criticised this interpretation as being essentially naive in that itignores those potential workseekers available for employment who did not 'actively' seek work in that week. 86/ Hawkins has also shown that the 1962-69 increase in the adult male labour supply aged 16-60 years (after accounting for net emigration, retirement of persons aged 60 years and mortality estimated at 0,8 percent per annum) was in excess of the 1962-69 growth in formal African employment by 56 960. Thus, by 1969, ignoring the unsatisfied backlog of unemployed as of 1962, there were a larger number of persons who had to find subsistence from sources other than formal employment, e.g., in petty production, as employers, or in peasant production At the same time, the 1969-75 increase in the adult African male potential labour supply was 430 820, as may be seen in the following table.

/TABLE 16 . ...

## Shoes to jump R10 a pair

(187) Star 14/4/79

Own Correspondent

CAPE TOWN — The cost of men's quality leather shoes will jump by between R8 and R10 a pair in the shops this winter because of soaring hide and leather prices.

This is the forecast of the Footwear and Tanning Industries Federation in the Western Cape which employs 25 000 workers.

Prices of hides were quoted at R1,80 a kg in Cape Town this week, roughly 160 percent higher than the 70c a year ago

Although lower than the peak of R2,35 last month, the price is expected to move up again soon when seasonal forward buying in Europe increases and gives a boost to South African prices.

Some footwear companies may try to absorb part of the increase. They sold certain lines to retailers at a set price worked out before the escalation of hide and leather prices.

A deputation from the industry has asked the Minister of Agriculture, Mr Hendrik Schoeman, to place curbs on the export of local hides — about 50 percent is exported.

Mr Schoeman says in a letter to the footwear industry that he appreciates the concern about rising prices

Sun Express 15/4/79

# Scotts gallop down loan burden

187

THIS week's news that the Scott brothers, Robin and Des, were selling their stable of racehorses put the wind up both shareholders and creditors of Scotts Stores

The latter became nervous that matters had deteriorated at the shoe group

However, on Thursday, managing director Des Scott said that the group's results for the year to February 28, which are due in 10 days, should show a loss no worse than the R858 000 registered at the half year

He said "We have been busy stripping down Scotts We sold the Pietermaritzburg property and after bond repayments realised R450 000 Then we stripped Selected Gifts and sold the shell, an exercise which brought in about R200 000

"The sale of Cashmart realised about R1,5-m and the baby chain, Our World, which we are running down — some stores we will continue to operate, some we have already closed — should save us between R600 000 and R700 000"

Scott is confident that there will be a big improvement in the group's figures for the year and that the report will show that the comany has all but cleared its loan burden

The Scott Bros are naturally reluctant to sell their horses but as Des Scott sees it he has little option Originally Standard Bank lent the brothers money for extentions to the farm using their 2-m Scotts shares as collateral

When the price of Scotts dropped, the bank asked for more collateral and the brothers ended up with a deed of hypothecation over the farm, and a notarial bond over the horses

Scott anticipates that the sale of the horses should raise R1,5-m sufficient to relieve the pressure on the brothers personal position which naturally has nothing to do with the company

# Explosicn as fire guts shoe factory

18/4/79

187

Mercury Reporter

**A JACOBS shoe factory was gutted by fire early yesterday when a machine exploded, injuring three workers**

The entire second floor of the building containing the Sherine Footwear factory, in Hidcote Lane was gutted, although no damage was caused to the furniture factory on the floor above the garage below

The operator of a buffing machine saw it spark and pulled the wall plug out of the socket The machine exploded Firemen battled for four hours to extinguish the blaze

Three African workers were injured and admitted to King Edward VIII Hospital They were Mr. V Shoba (23), Miss D Mthembu (19) and Miss H Dlamini (18)

Manager Mr Gregory Naidoo said the entire stock had been ruined.

Production would probably be back to normal within a couple of weeks, he said

# Shoe factory for capital

(187) 18/4/79

Mercury Bureau

**PIETERMARITZBURG — A new factory specially geared for the manufacture of leisure footwear, is being set up in Pietermaritzburg.**

Mr Peter Maree, managing director of Reva Shoes, said yesterday that because of the tremendous growth potential of the leisure footwear market, the factory had been set up to cater specifically for this type of footwear

With a capital investment of R5 000 000, Reva Shoes will employ a skilled work force of 60 and, according to Mr Maree, turnover for the first year of production is estimated at R1,8 million

**Catching**

Mr Maree said the type of shoes to be manufactured by the company had proved successful in Europe and were now catching on in the United States.

"They are primarily designed as leisure and house footwear," he said, "but we feel that because of comfort, lightness and durability the shoes will be ideally suited to the Black market"

Mr Maree added that one of the major reasons for the success of this type of shoe was a unique construction process which had tremendous advantages over conventionally manufactured footwear

**Soft insole**

"A polyflex sole, which is foamed onto the bottom of the fabric insole, creates a soft and spongy insole and a shoe which is extremely light and flexible," Mr Maree said "These properties can only be obtained by foaming the sole directly onto the shoe "

Equipment at the factory — the bulk of which is imported — was installed at the end of February and trial runs are in progress. Bulk production, Mr Maree said, will start next month

Sun. Trib. Business 22/4/79

# Leather costs force up prices

# MEN WILL PAY MORE FOR SHOES

(187)

By JACK BRICKHILL

SOARING prices of hides and leather will force up the cost of men's shoes and school shoes in the next few months. Ladies' footwear, which uses a higher proportion of synthetic materials, will not be badly affected.

A spokesman for Bata Shoes in Pinetown said the price of men's shoes and school shoes would rise between R1 and R4 a pair and the price for high grade men's shoes would rise by much more.

The increase in leather and shoe prices was world-wide and was caused by a cut in hide exports from the United States. The price of hides doubled in the last six months but there were indications the price had now stabilised.

The price of hides had dropped back to R1,75 a kilogram from R2,30 a kilogram in March. Demand for beef in the United States dropped because of soaring prices and herds had been run down. The shortage of hides was likely to continue indefinitely.

The spokesman said South African hides were more competitive in Europe and the South African prices had been forced up in line with export prices.

"We are doing our best to keep shoe price increases to a minimum and increases since January haven't been passed on. I will be surprised if manufacturers will be able to hold down prices after July," he said.

Good synthetic substitutes for leather were available but the public demand was for leather and the market trend was likely to remain that way.

Petro-chemical based synthetic substitutes had also risen in price but not nearly to the same extent as leather.

The retail footwear market is worth about R500 million a year.

A joint approach by the tanning and footwear industries to the Minister of Agriculture to restrict the export of hides from South Africa, has not been received sympathetically. About half the country's output of hides is exported

Minister Hendrik Schoeman said in a letter to the footwear industry, rising prices appeared to be a world trend and as local prices were linked to the world market it was hardly possible for the local market to escape these effects

# Price hikes threaten shoe industry

Sun. Times Bus. 22/4/79

(187)

By VERA BELJAKOVA

VOLATILE hide prices have hit the R410-million a year local footwear industry and will probably lead to retail price increases of around R7 per pair of R20-R30 shoes, manufacturers say.

The unprecedented rise to R2,30 for a kg of hide — and the subsequent drop by 50c in scarcely a month — have contributed to a feeling of instability within the industry.

Moreover, because raw hide prices account for about 60 per cent of the cost of shoes, there is a concern over the adequacy of local leather supplies.

Manufacturers fear customers will switch to cheaper leathers and synthetic substitutes.

Already an upward trend has been noticed in plastic footwear imports. Volume growth for 1977 alone was 102 per cent on the previous year.

Similarly, turnover in adults' non-leather uppered plastic and rubber-soled footwear has increased by 92 per cent.

Taiwan's share of imports grew by 77 per cent last year and Korea's by 23 per cent. South Africa's share of footwear imports from these countries is now 33 per cent and 12 per cent respectively.

But with the current rise in oil prices and consequently in the price of all petroleum-based products, synthetic shoes prices, too, are not likely to remain static.

"Last year retail sales rose in the footwear industry by only 7 per cent," says Dr Colin Tite of Shoe Corporation "But the mix of footwear bought is changing in pattern.

"Already the customers are buying cheaper footwear with a slight drop in capita consumption. With more consumers entering the market in 1978, slightly more pairs were sold but not enough to equal the 2,5 per cent of the population increase."

Footwear production in South Africa increased by 9,5 per cent in volume last year, with children's footwear leading the field with a 15 per cent increase.

Imports made substantial inroads into the local market, increasing by about 17 per cent in volume and by 15 per cent in value.

"Ramifications for the industry as a whole can be serious, with levels of employment and current efforts towards import displacement being affected detrimentally," says Dr Tite.

For this reason local manufacturers, in close cooperation with tanners, have started discussions with the Ministers of Agriculture and Economic Affairs, in an attempt to contain the impact of hide prices in the short term and to seek means of stabilising the market in the long run

SHOE INDUSTRY

# Stepping out

187 RM 6/7/79

**Export growth and increased stock levels helped push shoe production up nearly 10% last year to 47,9m pairs (1977 43,7m)**

Highest increase was shown among juveniles' shoes, which increased by 15%, followed by women's footwear, which increased by 11% Growth in men's shoe production was only 5%

But the Chairman of the National Shoe Retailers' Association, Stan Friedman notes that there has been no marked increase in demand at retail level He attributes the increased production mainly to export growth, and partly to a return to more normal stock levels in the industry Without exports, growth would have been only 7%

"Stocks ran low during the recession, and a number of retailers built up higher levels of stocks in the past year to cater for anticipated demand "

However, he notes that changes in fashion resulted in increased buying of women's shoes over the past year, and necessitated increased stocks Summer sales were better than expected, due to the extended season, but sales of boots have been below expectations

Due to fashion changes, retailers are looking to a good summer season for women's shoes However, high prices and lower disposable incomes have affected demand for men's shoes, and at retail level, sales have declined Demand for men's shoes has been particularly affected by leather price increases

Friedman notes that hide prices have increased by about 100% in the period July 1978 to June 1979, and shoe prices have risen by about 16% Increases of 8% to 18% can be expected within the next year In this period, retail sales of footwear were up by 8% in value but with price rises of 16%, this actually represents a decline of 8%, in volume Increased synthetics prices are also expected to affect shoe prices this year

Vogue Shoes production director Tony O'Sullivan also attributes the increased shoe production to higher stock levels, and fashion changes in the women's market However, he attributes the small increase in men's footwear production partly to growth in the casual footwear market

"The jogging craze and demand for specialist sports equipment, has resulted in substantial growth in the men's casual footwear market "

He notes that the price of leather shoes has led to a less fashion-conscious men's footwear market

A number of footwear manufacturers are exporting ladies fashion footwear to Europe, the US, Canada and Australia, including Vogue, Olympic, and Panther He believes that this is related to good export demand as well as improved quality of women's fashion shoes

Despite high prices, manufacturers and retailers are optimistic that shoe sales will pick up with the improvement in the economy

However, they are cautiously optimistic about the summer season

187 10/7/79 Argus

# Shoe industry set for boost — bank review

**EFFORTS by shoe companies to reduce excessive stocks by trimming prices and a rise in real disposable income after this month's tax cuts should boost footwear sales in the second half of this year, says the Standard Bank in its latest review.**

It says overstocking was due to last year's big production increase not being accompanied by a rise in consumer demand for shoes.

Local factories last year produced some 46-million pairs of civilian shoes and boots, valued at R217-million at manufacturing level, plus 1,5-million pairs for the mining and Government sectors.

This was considerably more in volume terms than was produced even during the boom years of 1973 and 1974.

### WEAKNESS

However, says the review, the poor sales performance of clothing and shoe stores is indicative of a general weakness in final demand for footwear, particularly in the latter part of 1978.

Some pre-general sales tax buying was followed by an increased demand for stocks by retailers to replenish inventories which disguised the weakness of demand in the eyes of manufacturers.

The restocking process was completed by the end of the third quarter of 1978 but as most manufacturers did not adjust in time to falling final demand this temporarily led to some over-production and unplanned accumulation of inventories at manufacturing level.

### EXPAND

The expected boost in sales during the second half of this year should, however, lead to more normal stock-sales ratios. Manufacturers' production levels can then expand cautiously again.

The review says the contraction in real retail sales seems to have ceased early in 1979. Between January and March this year, the volume of retail sales by dealers in clothing and footwear rose by nearly four percent (seasonably adjusted).

But a chain of increases — petrol, foodstuffs — in June appear to have temporarily put a damper on this modest revival

### COMPETITION

A sharp escalation in leather prices since early this year, as well as significant increases in rubbr icant increases in rubber and plastic prices likely to result from more costly oil, will probably begin to substantially push up the retail prices of shoes

The strong possibility of renewed import competition now that the rand is firmer will also continue to place pressure upon manufacturers' profit margins, in spite of prospects of growing capacity utilisation once surplus stocks have been reduced," says the review.

(187)

*GEORGE TIPLITSKY, ballet dancer turned shoemaker, shows off some of his wares in his Cape Town workshop.*

# George is SA's only ballet shoemaker

FORMER French ballet dancer, George Tiplitsky, has lived a true-life fairy tale — complete with romance, tragedy and a happy ending in Cape Town

Forced to give up his dancing career because of arthritis in his hips, George turned his hobby, leatherwork, into a lucrative profession.

He now runs what he believes is the only ballet shoe factory in South Africa in a workroom in Bree Street, Cape Town

George, now 30, began dancing at the age of 12 and became a top ballet student in Paris.

He danced professionally in France for six years before visiting South Africa in 1974 to dance with Capab.

During his visit he fell in love with one of his leading ladies, Diana Cawley, who is currently dancing the role of Odette in the Capab production of Swan Lake.

## TO EUROPE

'I could not speak a word of English when I came to South Africa, but we managed somehow,' said George in his strongly accented English

After 18 months here George returned to Europe, taking Diana with him.

The couple danced in Munich, West Germany, until tragedy struck George found he had arthritis in his hips and his career was over

'I had had some trouble while in South Africa, but thought I may just have pulled a ligament But back in Europe, in the cold weather, the condition worsened and I had to see a doctor. It was frightening, I just could not dance,' he said.

Eventually George accepted the end of his dancing days He had always enjoyed leatherwork as a hobby, and decided to turn his hand to making ballet shoes.

It took three-and-a-half months to learn the delicate art of fitting and the technical requirements for making the shoes

In April last year the couple, now married, returned to Cape Town and in December George opened his factory

'It is going very well. Most orders are for children's soft-toe shoes,' said George, who works with a staff of four

## SUPPLIES

He supplies ballet shoes to Pact, Capab, several large department stores and shoe shops

'Previously all ballet shoes were imported, usually from Britain At first shops were reluctant to take my shoes, thinking the English ones were better quality Now they seem to have caught on,' he said

The imported shoes also cost more because of an added 40 percent import duty.

George said he no longer yearns to dance — 'I am too old now' He contents himself with watching his Diana on stage 'I am a tough critic,' he said

Telefoon: 65-4145, 69-8531 Uitb. 766

INLEIDING

Gedurende die eerste nege jaar van sy bestaan het die Sentrum vir Intergroepstudies gereeld 'n jaarverslag oor sy werksaamhede gepubliseer. Om die Sentrum se 10de verjaarsdag op 1 April 1978 te vier is die jaarverslag in 1977 vervang deur 'n Oorsig oor die Eerste Tien Jaar.

DIE OORSPRONG EN DOELSTELLINGS VAN DIE SENTRUM

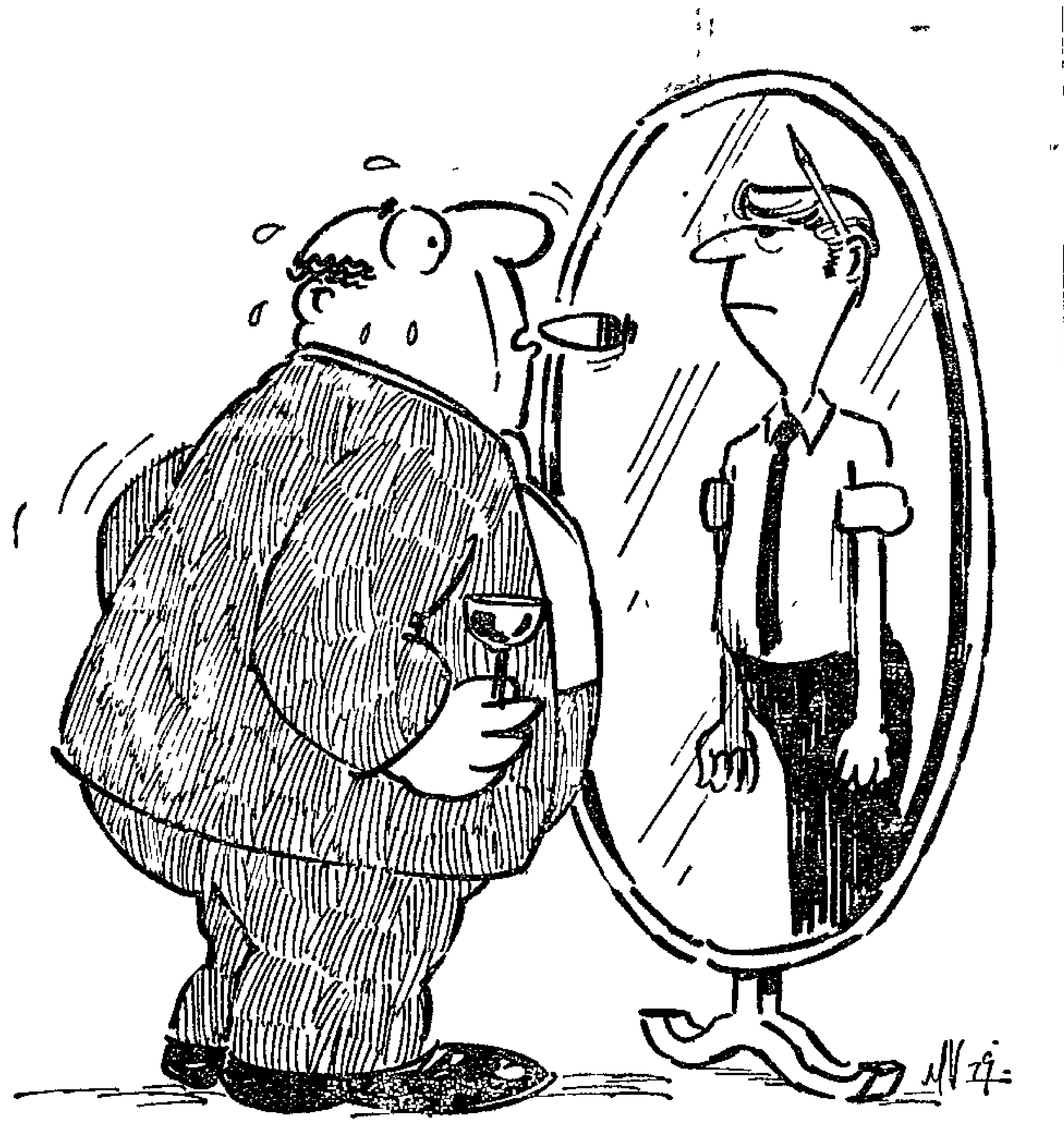
Die Sentrum word grootliks gefinansier deur die Abe Bailey-Trust wat ingevolge die testament van Sir Abe Bailey gestig is. Dit is geregistreer as The Abe Bailey Institute of Inter-Racial Studies Limited (Beperk deur Garansie) - 'n maatskappy beperk deur garansie en sonder 'n aandele-kapitaal kragtens die Maatskappywet 1973 (Wet Nr. 61 van 1973).

COMMUNICATIONS

## The suede shoes and carnation brigade are on the way out

187

# A NEW LOOK AT THE PR INDUSTRY...



By JOHN MacDONALD

SOUTH AFRICA has yet to experience the full blast of American-style public relations, where the kid gloves have been swopped for aggressiveness and consistency in the defence of corporate interests.

But with the national economy on the move again and a growing sophistication in the local PR industry, South Africa could well be on the threshold of a new era in public relations.

In the boom times of the late sixties it was fashionable to have a public relations presence, with an endless round the lunches, cocktail parties, and media junkets comprising much of the effort But the lean years put an end to all that with the PR budget a prime candidate for the axe when corporate cost-saving was discussed.

To survive the PR industry had to develop new muscle, a new direction that would justify its keep and its existence. The most sucessful of the survivors have done just that.

### TODAY IT'S A WHOLE NEW BALL GAME

The industry has still to achieve the level of management recognition which it has in the US, where public relations almost invariably falls under a senior vice-president, but there is a growing awareness in South Africa that PR is a top management responsibility.

Companies who use PR successfully — either through outside consultants or in-house staff — are realising that the game is no longer meeting VIPs at the airport, the occasional Press lunch, and a Christmas party for suppliers

Pressures of public opinion are having an increasing effect on the ability of organisations to perform effectively, and PR is the tool to handle these pressures

For example, a perfectly sound company which has failed to communicate its strength to the investor community can experience serious problems in raising essential capital for expansion or development

The current internationally accepted definition of public relations, is "The management function which identifies the policies and procedures of an individual or organisation with the public interest, evaluates public attitudes, and plans and executes a programme of action to earn public understanding and acceptance"

Identifying policies with the public interest has been a hard nut to swallow for many South African companies large and small Likewise, "public understanding and acceptance" did not rate very highly on the list of priorities.

Much of the blame for this can be laid at the feet of the PR industry itself which did not insist that management (or clients) adhere to this philosophy

Management, in turn became disenchanted with PR and dismissed it as a costly and highly dubious exercise.

The Public Relations Institute (Prisa) has also done much to further the industry. Companies planning to hire PR services can now study a list of approved consultancies before making an appointment

It will take some time before South Africa reaches the American situation where a leading oil company recently dispatched a team of 21 executives to 21 major cities where in the course of a day or two they appeared on more than 100 talk shows, news broadcasts and radio programmes as well as meeting local newspaper editors

But we're getting there. The "suede shoes and carnation" brigade are rapidly losing way to hard-nosed professionals who are changing public relations from a superficial window-dressing to a foundation stone of management practice.

(K57) Fm 16/11/79

A&S SPITZ

# Non-fashion fillip

**Activities** Makes women's footwear and retails men's, women's and children's footwear through 36 outlets. The directors hold 77% of the equity.
**Chairman** A M Spitz
**Capital structure** 2,7m ordinaries of 50c, 42 500 first 5,5% and 75 000 second 5,5% cum prefs of R2. Market capitalisation R5,3m
**Financial** Year to June 30 1979. Borrowings long- and medium-term R2,1m, R676 000 net short-term. Debt equity ratio 80,2%. Current ratio 1,3. Net cash flow R639 000. Capital commitments R235 000
**Share market** Price 195c (1978-79 high 200c, low 75c, trading volume last quarter 26 000 shares). Yields 12,4% on earnings, 5,2% on dividend. Cover 2,4. PE ratio 8,1

Financial Mail November 16 1979

| | '76 | '77 | '78 | '79 |
|---|---|---|---|---|
| Return on cap % | 22,7 | 18,0 | 28,3 | 17 6 |
| Turnover (Rm) | 12,9 | 11,8 | 11,7 | 14,8 |
| Pre-tax profit (R'000) | 704 | 519 | 888 | 769 |
| Gross margin % | 7,4 | 7 3 | 10,4 | 7,5 |
| Earnings (c) | 16,1 | 11,8 | 28,5 | 24,2 |
| Dividends (c) | 7 5 | 7 5 | 10 0 | 10 0 |
| Net asset value (c) | 83 | 87 | 107 | 120 |

**The major event** of the year was the launching of the new chain, Shoe Biz. This, together with three new A&D Spitz outlets, raised the number of stores from 25 to 36. But heavy start-up expenses, coupled with high markdowns due to the mild winter, eroded profits with the gross margin slipping from 10,4% to 7,5%. Thus earnings fell 15%, though the dividend was maintained at 10c.

Despite the drop in profits, chairman Anthony Spitz sees the year under review as a "watershed year". He elaborates: the manufacturing division "achieved outstanding results", the UK subsidiary, Carvela Shoes, trebled profits and the Shoe Biz chain was "successfully launched".

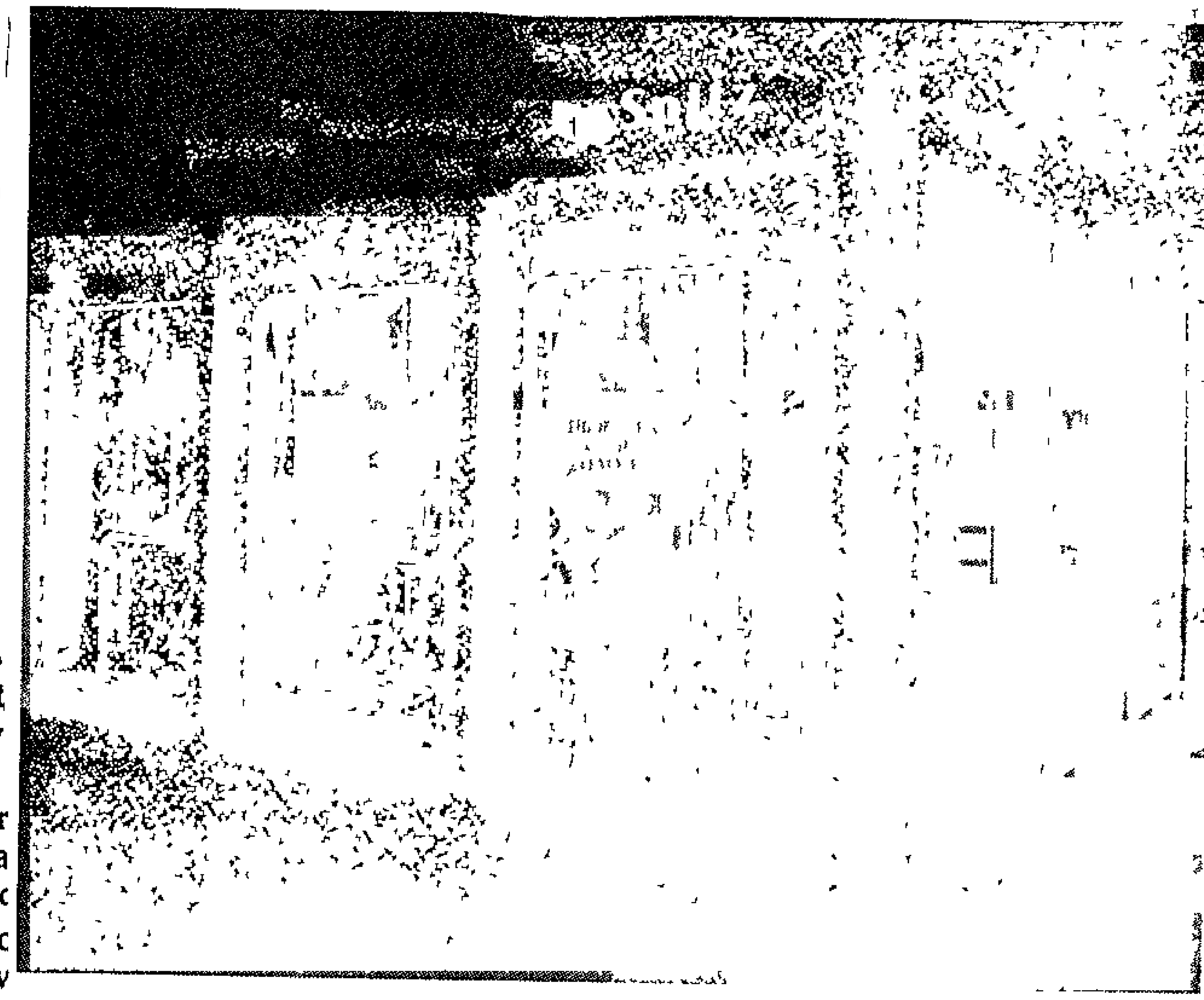
Which is all well and good, but the same cannot be said of the balance sheet. The current ratio was squeezed from 1,6 to 1,3, while the debt equity ratio increased from 70,4% to 80,2%. Return on funds employed slipped sharply from 28,3% to 17,6% and to improve liquidity and "strengthen the capital base", Spitz announced that a rights issue is planned with details to be circulated "in due course".

On future prospects, manufacturing results should again be good, with the newly-launched, USA-licensed product, Cobbie Cuddlers, giving the factory "a strong non-fashion base". Spitz is confident in the future of the retailing side too. Shoe Biz "should prove viable" this year and he is "very satisfied" with results from A&D Spitz for the first two months.

With no further store openings planned this year, the company faces a period of consolidation in which the benefits of the recent expansion should flow.

Over the year, the share price recovery lagged behind the market's, gaining 34% to 195c, against the 45% rise in the JSE Actuaries index. But, provided women continue to spend freely, this share should retain its appeal.

*Gillian Counihan*



**Spitz windows . . . profits should light up too**

UTES

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# Mixed results for Frame Group companies

NM 17/11/79

Deputy Financial Editor

**THREE MORE Frame Group companies have produced their annual reports with a rather mixed bag of results showing the problems in the textile and footwear industries.**

At S A Woollen Mills earnings per share rose from 67,7 cents to 80,2 cents The 18 percent improvement resulted in a 8,75 cent dividend for the year

Net operating income was R2,9m (R2,5m), of which R1,7m was put into general reserve

Earnings per share fell at Natal Canvas by seven percent from 67,9 to 63,2 cents a share After-tax income was R1,2m compared with R1,3m in the 1978 year Dividends were 11,25 cents a share

**Footwear loss**

The directors say that imports of a large variety of cheap canvas footwear from the Far East led to a net loss in footwear They say the situation will continue until import duties are lifted or imports restricted

They also point out that an Industrial Council restriction limits the range of cheap footwear they can make

At Natal Consolidated Industrial Investments earnings per share were down by over ten percent at 73,9 cents from 82,4 cents

Turnover was up by 13,8 percent After-tax income was R1,8m compared with R2m in 1978

181

1977

# 12,5 pc rise soon and more on the way

28/11/79

(187)

Mercury Reporter

FOOTWEAR employees in Natal will walk with a new spring in their step from January 1, when a 12,5 percent increase in wages comes into effect nationally.

Mr L R Slater, chairman of the Natal Footwear, Tanning and General Leather Association, said yesterday there would be another 2,5 percent increase from July next year with a further 2,5 percent increase from January 1, 1981. This meant an overall increase of 20 percent over the next year.

He added: "It is worth noting that the footwear industry is paying well above other industries and, from January 1 next year, a labourer in the industry will be earning R39,36 a week."

(187) 2/12/79

# Searles Holdings comes out swinging from the backwaters

S. Times. 2/12/79 (187)

IN AMERICA, differences in company law between the states can lead to major corporations having their headquarters in obscure places, in the hope of reducing unwelcome public exposure.

In SA where — at any rate since Union — company law has been applied nationally, there has been no such impulse, and most companies are centred on the areas of main economic activity

There are, however, at least two listed companies with head offices in what can only be described as backwaters Springbok, Namaqualand and Great Brak River, in the Eastern Cape

The latter is a company which in two years has climbed from 78th to ninth in our Top Companies survey, Searles Holdings — the other is Trencor (formerly Jowell's Transport), which itself features a respectable 43rd in this year's rankings, up from 49th last year.

For many years Searles Holdings has been regarded as one of the outstanding takeover propositions on the JSE, and is now in the course of fulfilling this role through a bid from the Cargo Carriers group

Great Brak River, which is midway between George and Mossel Bay, is in fact pretty much a company town, as Searles owns substantial properties there, operates several trading stores, and through its sawmills and shoe factory is also a major employer.

The main shoe brand is Watson, which claims to be the leading quality men's footwear line. The other trade name the group has developed is Elgin housing timber.

Founded in 1920 as ultimate successor to a partnership founded as far back as 1859, Searles was listed on the JSE in 1947 in the post-war industrial listing boomlet.

Its subsequent results were chequered in 1972 it actually came second in the Top Companies rankings as then constituted, for firms whose net profits were less than R1-million a year

In 1975 and 1977 earnings fell back again, but the overall trend has been strong enough in recent years, doubling over the two years 1978-79, to bring the company right back into contention again

Results in the past two years have been helped by the acquisition of Oudshoorn Footwear, which makes ladies' shoes Indeed, as the sawmilling and timber interests have recorded losses in the past three years (albeit at a

● To Page 11

# Searles swings in from the backwater

● From Page 9

"It is Cargo's firm intention," said the offer document, "to maintain the listing of Searles on the JSE," which suggests that Cargo will not be content simply to regard this as a portfolio investment Searles has since been relisted, and at the time of writing was quoted (ex-offer) at 475c

Cargo is controlled by Desmond Bolton and his wife In addition to Cargo Carriers as such, which claims to be the largest freight transport company in SA, operating from 20 branches, there are also substantial property holdings in the Transvaal, Natal and Swaziland, the Mercedes-Benz franchise for the Vaal Triangle and Toyota franchise in Ladysmith and Newcastle, and a 45% interest in Bagshaw Gibaud (Footwear) (Pty)

This last-mentioned would seem a natural for rationalisation with Searles' shoe interests, and when Cargo is firmly in control it will be surprising if there is not a reshuffling of interests between the groups

Whether any such reconstruction will change the nature of Searles' business so much as to exclude it from future Top Companies lists until it has built up a 5-year record in whatever new guise it may assume, is still uncertain

Whether this is the case or not, shareholders look likely only to benefit from the new dispensation, and should have no grounds to regret the change of control

FM 7/12/7

## SCOTTS

# Better fit

20 187

**The medicine** has worked Scotts' re ery now rests more on external fac such as consumer spending rather any further internal pruning Scotts taken its medicine in one go Over past 18 months, it has written off R2,2m, cut out loss-making operat such as some of the Our World branc and re-shuffled management from board downwards

The company suffered a net loss R3,7m in the year to end-February In first half of this year, however, profit ity has been restored Encouragingly return to profitability is based on man ment's remedial action and not merely weight of increased sales For, sales 10,4% over the 1979 first half to R33 while improved margins restored the tom line figure to a R226 000 net pr from the 1979 first-half loss of R858 00

The figures in fact hide much of wha now a strong recovery situation Sc Cash Stores chain lost over R900 000 in six months under review Though the p tion continues to deteriorate, new ch man Felix Fielding says "The board decided to reduce operations in this a by the elimination of uneconomic sto from the beginning of 1980" So the sec half, and certainly the full 1981 ye should benefit substantially from t weeding out of the last identified troul spot

The other trading operations are r ning according to budget The footw factories, a worry for some time "h been very satisfactory," while Field says good results have been obtained fr the Western Cape retail operation and wholesale clothing division Unitewink wrongly believed to have been on the po of being sold early this year, is contrib ing to profits

Although 9,1c a share has been earn in the first half, no dividend has be declared nor is one likely for anot year Gearing is being reduced (a Mtu tuba property-owning company has b sold for R210 000) and any form of c haemorrhage is being guarded against The final instalment on the R363 000 prefs, due on August 31, has had to be postponed as interest on the 13,6% R3 2m subordinated debentures was in arrears These will absorb over R860 000 in interest this year-end if profits enable the payment to be resumed

Fielding is guarded on prospects for the next six months The traditionally higher profits earned in the Christmas period will "reflect in the company's accounts for the full year" But margins are normally higher in the second half and turnover should be up to at least R70m On this, with the Cash Stores programme under way, profit could gross R1,5m

At 180c, the share price reflects the company's recovery But I believe it does not fully discount the revitalised group's future earnings potential and a projected PE, on an optimistic forecast of 3,5, makes the share look cheap The taint of the dividend cut and losses suffered will retard a re-rating, but the share could be on the way back to its heady 500c trading range But this time round growth will be less giddy

Ian Mat

# Shoe Corp kicking for a bigger cut

S.TIMES 9/12/79

187

By JOHN SPIRA

IN AN expansion drive aimed at increasing its dominant position in South Africa's R450-million shoe retailing industry, Shoe Corporation Shoe Stores is aiming at a turnover increase of well over 25% in the year to March 31, 1980.

Shoe Corporation Shoe Stores, which has an estimated 6% of the SA market, is wholly-owned by Amrel, a 60,5% subsidiary of SA Breweries

Ronnie Cohen, Amrel's managing director, tells Business Times that Shoe Corp accounts for some 19% of Amrel's earnings.

Shoe Corp's backbone is Cuthberts, which the group acquired in May this year. But rising rapidly in terms of market penetration is its Selecta chain

## Optimum

For the present, Cuthberts accounts for 60% of turnover, Selecta 30% and Barnes the balance.

Cuthberts has 141 stores throughout South Africa. Mr Cohen says that since May several unprofitable outlets have been closed down and that a further 17 will disappear between now and the end of March next year

He expects to close more stores next year in line with the group's policy of raising Cuthberts to a pitch of optimum profitability

This does not, however, mean that Amrel is expecting a lower contribution from Cuthberts.

"On the contrary," says Mr Cohen. "For the current financial year we expect Cuthberts' turnover to rise by at least 20% in spite of the closure of several loss-making outlets Furthermore, we intend opening eight new stores next year, plus many more in the 1980s "

Cuthberts sells principally to the middle-income market

Selecta is a country-wide operation of 69 stores

A total of 14 new outlets are planned for the current financial year and between 25 and 40 are on the drawing boards for 1980-81

The Selecta-type concept, which aims at the lower income groups via standardised self-service outlets, was pioneered by Shoe Corp and, adds Mr Cohen, has proved highly successful.

"We saw a gap, we filled it and are now market leaders in this area "

Growth this year is expected to be well in excess of the 20% envisaged for Cuthberts. And, with the expansion of black spending power (blacks buy an estimated 75% of Selecta's merchandise), Selecta should continue to grow rapidly in the years ahead.

## Franchise

Barnes, which draws its customers from the higher income groups, gives Shoe Corp exposure to the full spectrum of the shoe retailing market.

Barnes has 12 stores, 11 of which are located in large department stores and operate on a franchise basis

The intention is, however, to establish new stores on a standalone principle as the first of such experiments — the store at the corner of Market and Eloff Streets, Johannesburg — has done extremely well.

An additional string to Amrel's bow is its Multi-serv heel bar operation, which is extending its range of services into areas such as keys.

# Amrel doubles profits, dividend up by 77%

(181) CT 1/5/80

**JOHANNESBURG. — On a turnover rise of 65 percent, from R76,7m to R126,6m, Amalgamated Retail has more than doubled its attributable income for the year ended March 31, 1980.**

Shareholders are to receive a 73 percent boost to their final dividend from 16,5c to 28,5c, the total distribution for the year being 77 percent up from 23,5c to 41,5c

Amrel raised its pre-tax income from R6,8m to R14,7m, taxation rising correspondingly from R2,8m to R6,2m After-tax income was up from R4m to R8,5m and attributable income (including attributable income of associated companies and after deduction of minorities and preference dividends) from R3,8m to R8,4m

As a result of a larger number of ordinary shares in issue — principally becacause of the deal in which the shoe division was acquired — earnings per share rose by 76 percent from 70,7c to 124,2c

The directors say they regard the results as satisfactory and point to a number of contributory factors

The buoyant economy in which turnover in the furniture sector rose by 15 percent

Store sitings are better

Operational controls have improved

The shoe division has been fully integrated and its profits are higher than anticipated

On prospects, the directors point to the recent budget in which the Minister of Fiance once again emphasized consumer spending as the key to continued and sustained economic growth

Amrel, which has its roots purely in retail activities, should benefit more than most from the budget concessions and is well poised to take advantage of the oportunities which the directors feel sure will arise

This, coupled with the growth taking place within Amrel itself, makes the directors confident that the results will show a satisfactory improvement in the current financial year — Sapa

## Financial rand

JOHANNESBURG — Standard Bank s financial rand quotation 92,75/93,50 — Sapa

ABC SHOE (187) FM 16/5/80

# Best foot forward

**Activities** *Retailing and wholesaling of shoes, handbags and accessories The directors hold 37,7% of the equity and voting rights over an additional 32,9%*

**Chairman** *E Manne, managing director I L Green*

**Capital structure** *3,5m ordinaries of 50c Market capitalisation R6,1m*

**Financial** *Year to January 31 1980 Borrowings long- and medium-term, R1m net short-term, R554 000 Debt equity ratio 43,5% Current ratio 2 7 Net cash flow R735 000 Capital commitments R89 000*

**Share market** *Price 175c (1979-80 high, 190c, low 105c, trading volume last quarter, 76 000 shares) Yields 16,0% on earnings 6,9% on dividend Cover 2,3 PE ratio 6,2*

| | '77 | '78 | '79 | '80 |
|---|---|---|---|---|
| Return on cap % | 20,7 | 29,3 | 23,0 | 27 2 |
| Turnover (index)* | 148 | 168 | 195 | 214 |
| Gross profit (R 000) | 1 023 | 1 198 | 1 631 | 1 875 |
| Earnings (c) | 14 0 | 19,0 | 24 8 | 28 1 |
| Dividends (c) | 6 | 8 | 10 | 12 |
| Net asset value (c) | 98 | 108 | 151 | 137 |

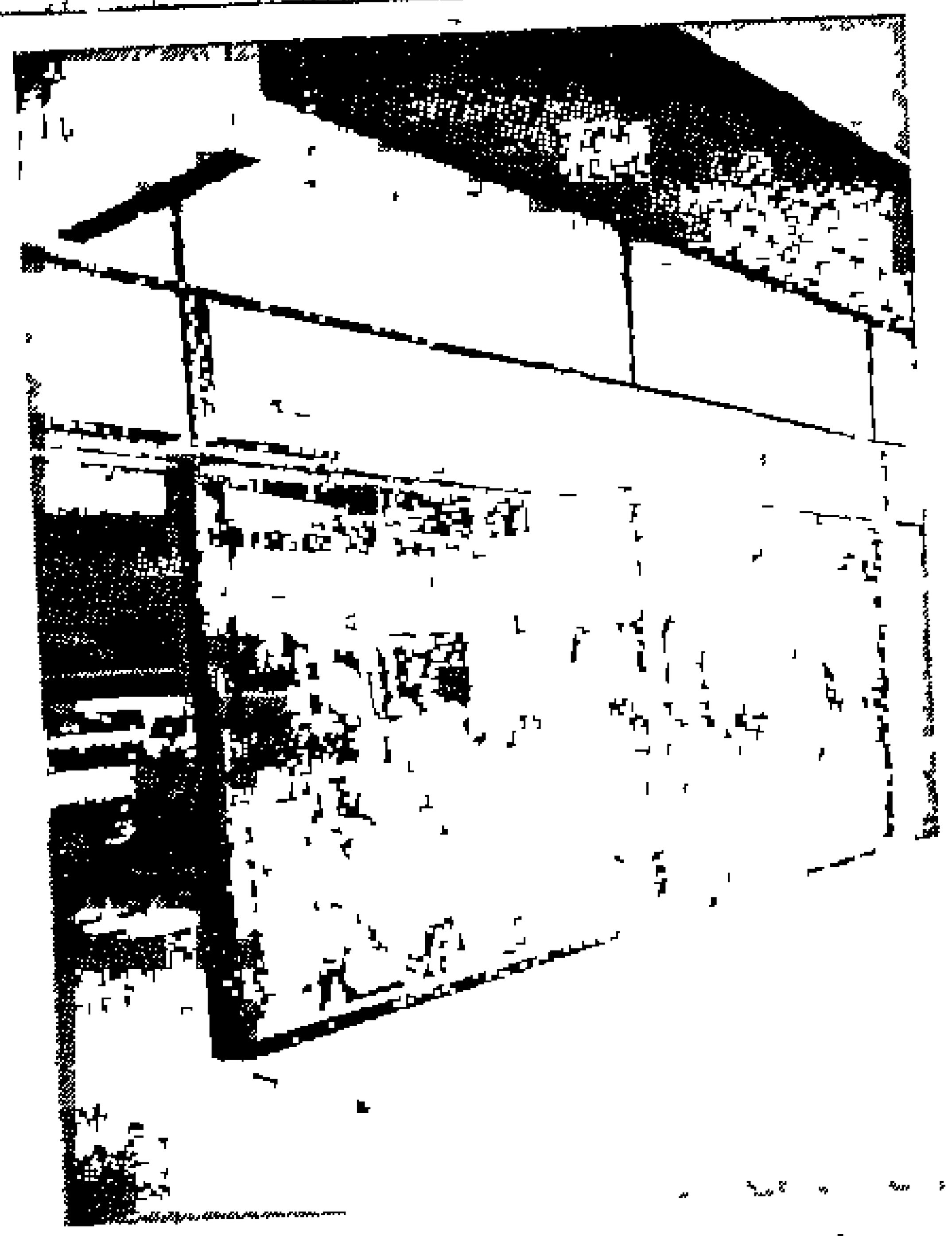
* 1974 = 100

**Consumer spending** advances have yet to reach ABC Turnover last year rose by a modest 9,3%, explained by the slower reaction of the retail soft-goods sector to the upswing in the economy Pre-tax profits increased by 16,3% showing considerably widened margins

The group is well placed to take full advantage of increased consumer spending Nine stores were opened last year, including three under different names in Eastgate, and one in Cavendish Square, Cape Town Another was opened in the Heerengracht, Cape Town, this April Meantime seven stores were closed But the group is apparently concentrating its retail outlets in newer shopping centres which should add to turnover

Agreement has been reached in principle for ABC to acquire the 12-store Footprints group The directors feel that "the acquisition is well suited to a natural expansion of the group activities," although no material effect on earnings or net worth is expected this year

With higher short-term loans of R492 000 (R193 000) the debt equity ratio rose to 44% (35%) And as the group is apparently in an expansionary phase, the trend could continue for a couple more years But that should not restrain dividend payouts The interest/leasing bill is covered eight times by pre-lease gross profit and the year-end net cash short-term debt 1,5 times by net cash flow



ABC . . . spelling further growth this year

The shoe industry has, in recent years, moved closer to high fashion, and styles differ vastly from season to season As the price of all shoes has increased startlingly over the past few years, many imported shoes have been priced out of the market This is good news for up-market shoe retailers The outlook for ABC is therefore promising and the share should reflect these trading trends

The dividend has doubled in four years and a rise to 15c seems well within reach this year The 8,6% prospective yield seems high compared with the rest of the sector

*Fiona Halse*

FM 6/6/80 (187)

SEARLES

# Dividend policy

**Activities** *Main subsidiaries manufacture men's and ladies' shoes Also involved in sawmilling and timber housing and some trading outlets*

**Chairman** *D Bolton*

**Capital structure·** *1m ordinaries of R1, 175 000 5,5% prefs of R2 Market capitalisation R5,0m*

**Financial.** *8 months to February 29 1980 Borrowings long- and medium-term, R1,3m net short-term, R1,3m Debt equity ratio 37,7% Current ratio 2,3 Net cash flow R1,3m Capital commitments R34 000*

**Share market.** *Price 500c (1979-80 high, 520c, low, 185c, trading volume last quarter 6 900 shares) Yields 28,9% on earnings, 4,8% on dividend Cover 6,0 PE ratio 3,5*

| | †'77 | †'78 | †'79 | '80 |
|---|---|---|---|---|
| Return on cap % | 17,0 | 12,8 | 19,8 | 26,8* |
| Turnover (Rm) | 15,0 | 17,9 | 18,3 | 15,0 |
| Pre-tax profit (Rm) | 1,2 | 0,8 | 1,7 | 1,6 |
| Gross margin % | 9,9 | 7,3 | 10,6 | 12,0 |
| Earnings (c) | 47,7 | 76,1 | 116,0 | 96,3 |
| Dividends (c) | 14 | 16 | 24 | 16 |
| Net asset value (c) | 499 | 534 | 633 | 703 |

† 12 months to June 30 * Annualised

**It is too** soon to tell what effect the takeover by GGMB Investments will have on Searles It is to be hoped that an early development will be a more generous distribution policy Under the control of the Searle family, dividend cover was highly conservative, averaging about 4,5 times And this is reflected in the market's rating of the share on a 3,5 times PE

In the eight months to end-February, cover was increased to 6 times, which is hardly a promising sign But when new management has things running its way, a more generous payout could be made

Chairman Des Bolton is fairly non-committal on immediate prospects The major profit earners, Watson and Oudtshoorn shoe manufacturers, had a successful eight months and the outlook for the current year looks good But while there has been an improvement in performance of the timber division, production bottlenecks have developed as the company's own plantations were fully utilised

The homes division apparently remains a problem and did not come up to expectation, but the directors are looking for an improvement this year, while the trading and services divisions which are based largely in Great Brak River in the Cape, made moderate contributions to earnings

From now on, better use of resources must be one of the new board's major aims Though return on capital is now at an annualised rate of 26,8%, there seems more scope for growth, especially as shoe sales should advance with increased consumer spending Couple that with better prospects for the timber division as housing starts rise, and near-term prospects are reasonable

However, growth this year should be possible without undue balance sheet strain Retentions over the past few years have been put towards reducing the debt equity ratio indicating scope for increasing use of borrowed funds as trading conditions improve

In pricing the share at its current 500c, the market clearly expects a strong dividend advance this year Even without operational changes, there is scope for an earnings advance to at least 160c and a dividend rise to 30c.

Scott Hawker

# Amrel to open 70 more outlets

187 RDM 9/6/80

By ELIZABETH ROUSE

**AMREL, the SA Breweries group furniture and shoe retail division, plans to open 70 outlets this year — a sign of the group's optimism about the consumer upswing.**

This expansion follows on the opening or resiting of 41 shops and the closing of 30 shops in the past year in line with the group's rationalisation and updating policy.

The chairman, Mr Dick Goss, says in the annual report that the group's capital structure is adequate to finance the envisaged growth, but it is advisable to rearrange the borrowing pattern Long-term loans are being raised

The 1980 balance sheet shows that interest-bearing debt rose to R35 986 000 in the year to last March from R23 867 000 in 1979 and total liabilities to total shareholders increased to 1,9 1 after remaining at 1,8:1 for some years.

Mr Goss says Amrel trades on the principle of different chains of stores to serve specific markets. There are 12 such chains within the group and this policy allows it to focus on a particular market and encourages flexibility in day-to-day operations

A partnership is being negotiated with the Coloured Development Corporation in the Cape to facilitate store openings in selected areas for both furniture and shoes.

The group operates shoe shops successfully in partnership with the relevant Government corporations in BophuthaTswana and KwaZulu

Amrel plans to open 20 furniture stores and to resite five shops The Early Bird Television service division has moved successfully into household appliance repairs and this service will be expanded

The shoe division trades under four main trading names — Cuthberts, Selecta, Barnes and Multiserv A programme of store rationalisation and openings is under way

Many Cuthberts stores, better suited to Selecta's self-service style of trading, are being converted Low-return stores are being weeded out and replaced with opportunities more suitable to Cuthbert's requirements. Selecta will open 37 units with major emphasis on the Western Cape Four Barnes stores will be resited and Multiserv, the heel-bar division, will expand by about 20 units

Amrel again surpassed the national retail sales growth in the furniture and shoe sectors over the past year. National retail sales rose by 13%, with furniture increasing by 20% and footwear by 9,5%

Amrel's turnover rose to R126 600 000 from R76 700 000 Furniture division sales increased to R97 200 000 from R76 700 000 and shoe division sales were up 20% to R29 400 000 from R24 500 000.

Earnings climbed by 76% to 124,2c from 70,7c and dividends were raised to 41,5c from 2[illegible]

Shareholders are assured of further earnings and dividend growth on Mr Goss's optimistic view of the growth in consumer spending and the opening of further outlets

# No drop in SA shoe prices

RDM 30/6/80

(187)

**Pretoria Bureau**

A DROP of up to 40% in the prices manufacturers pay for finished leather from the tanneries will not mean cheaper shoes for South Africans, according to Mr Geoff Everingham, chairman of the Footwear Manufacturers' Association

Mr Everingham said in an interview that the public would not benefit from the drop as it had been offset by increases in other prices in the shoe industry

"A wage increase of 12,5% for the 20 000 workers in the industry in January will be followed by another of 2,5% next month," Mr Everingham said

"Materials constitute only 40% of the price of shoes The majority of shoes in South Africa are made from synthetic materials which are continually rising in price," Mr Everingham said

Farmers, meanwhile, are being paid up to 80% less for their raw hides and some are saying it is no longer worthwhile selling their animals' skins

The slump follows the giddy prices paid for raw hides last year after panic buying by Japan and the Soviet Union when the United States and South American countries halted exports

Prices paid locally for raw hides were also affected when Italy, South Africa's traditional market for raw hides, closed down hundreds of tanneries in the Genoa, Verona and Pisa areas because they were polluting local rivers

The surplus was aggravated when the Russians, traditional importers of tanned Italian skins, became exporters after drought destroyed cattle feed and herds had to be culled

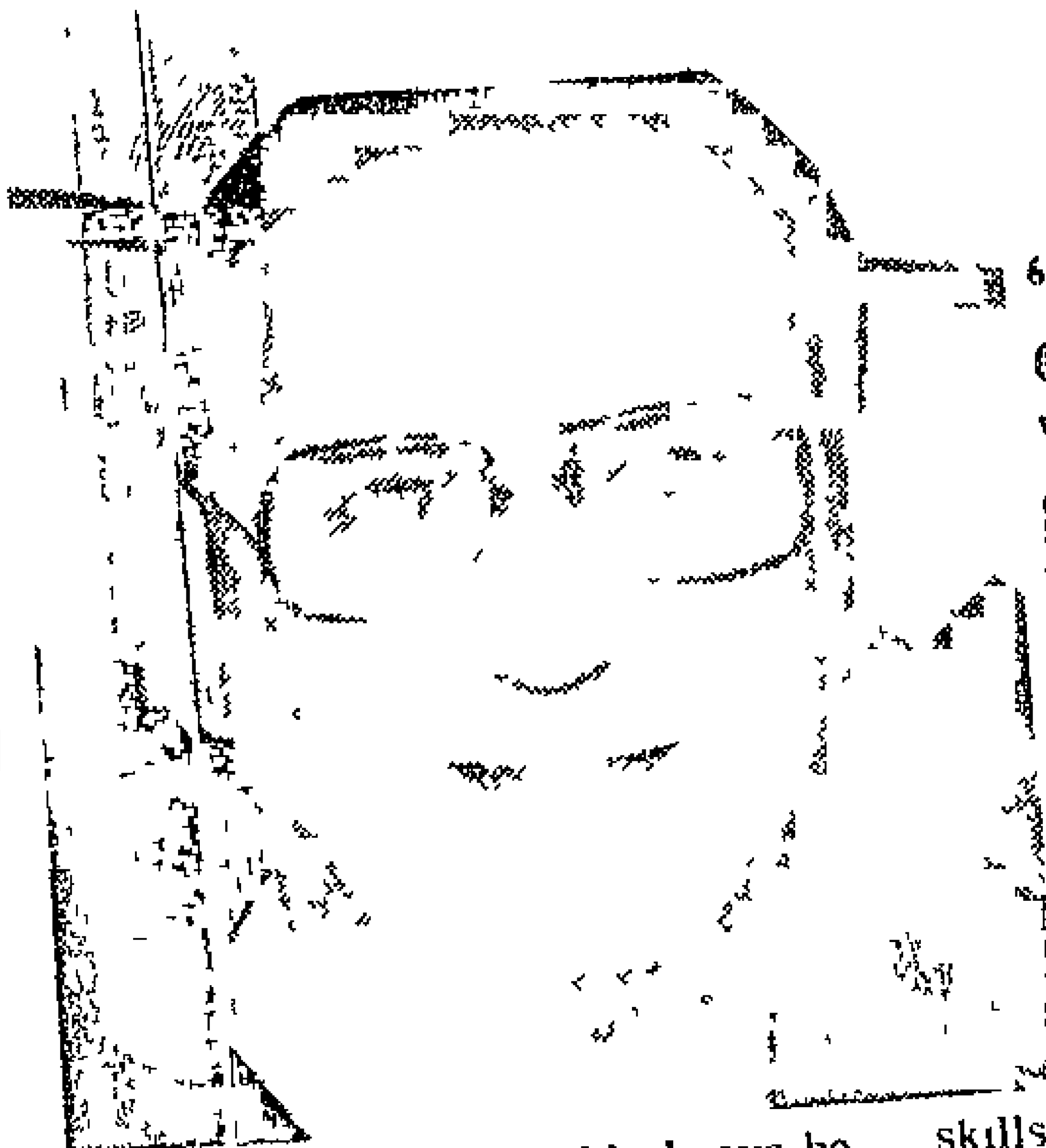
Other reasons for the high price of shoes given by people in the leather industry are

- About 55% of South African hides are exported
- A 60% mark-up on shoes between the manufacturer and retailer
- The 80 to 100% mark-up between the retailer and the consumer
- Allegations by tanners of a monopoly situation in the curing and broking business where three companies dominate the market.
- A volatile international hide market which South Africa must follow.
- The low quality of South African skins, which bear blemishes from disease, barbed wire, thorns, ticks and brand marks

European animals are stall-fed and do not have these problems

# Shoes ready to leap ahead

(187) NM 7/10/80



'Existing companies will grow to take up the slack,' Mr Len Slater.

**THE R250m footwear industry will grow 'spectacularly', predict two of its senior representatives — but in its own, slightly eccentric way.**

After a slump over the last few seasons, consumption will double to 120m pairs a year in 20 years, say Len Slater, chairman of the Natal Footwear Manufacturers Association, and S A M Davidson, president of the Footwear Manufacturers Federation (FMF).

But relatively low profit margins will put off most of the major groups wanting to diversify

At the same time, rocketing plant costs will limit new firms 'Growth will be vertical,' says Mr Slater. 'Existing companies will grow to take up the slack'

Increasing consumption also affects the bitterly debated import question Recent moves by the FMF have persuaded the Board of Trade to allow footwear imports only by special permit, instead of the general import permit used before.

'General dealers were indiscriminately bringing in footwear to fill up their general permits,' explains Mr Slater. 'This move will help discipline imports'

The next move, he feels, is to issue permits only to genuine footwear distributors. The rationale? To channel imports into areas where they are not hurting local manufacturers

Cheaper labour and access to raw materials at international prices make Far Eastern manufacture much cheaper, says Mr Davidson. The local, tariff-protected PVC industry sells its widely used material at around R1 600 a ton where PVC sells at around R900 on the open market.

Britain's imports jumped to 46 percent, the US's to 55 percent of consumption last year Even Italy, undisputed centre of the footwear world, has had its vast export trade hit by poorer countries like Spain, Mr Davidson says

But there is a general realisation in the trade that imports cannot be stemmed, that the local industry — which reached 50m pairs last year, two thirds of it from Natal — cannot keep up with demand

While South African output was up 9 percent on last year for the first six months of 1980 and imports dropped by 15 percent during the first quarter, import value went up by R1m. Since then there has been an import upsurge

'I don't believe South Africa can be the budget manufacturers of Africa,' says Mr Slater 'The country is too industrialised, tastes too sophisticated'

Whether they realise it or not, local manufacturers are upgrading their products and imports will eventually occupy the bottom of the spectrum, he says

Another serious repercussion imports are having is that sometimes poor quality reflects on the whole industry, Mr Slater says He suggests country of origin should always be clearly marked

'South African footwear is as good as any,' he says loyally 'An often gullible market can be angered by poor products'

Mr Davidson and Mr Slater do not expect major groups to show much interest in footwear, though SA Breweries and Calan are quite heavily involved

'It takes a special type of expertise to run a footwear factory,' says Mr Slater, 'you need production, marketing, administration and accounting skills

Just sending in an accountant isn't good enough

There will increasingly be two types of manufacturer, Mr Davidson says The mass producer, with a narrow range, and the smaller entrepreneur, keeping up with fashion There will also be a greater tendency to specialise because market research is usually left to individual firms and retailers and because there is a market demand for more variety

THERE was a four percent increase in the number of factories in Natal up to June 1979 and their number now stands at 5 369 But the number of workers increased only fractionally in the same period to 366 149 - up 309

The figures, supplied by the Department of Manpower Utilisation, show that employment of black women slumped in the same period while that of men and white women rose More men were taken on to reduce the overall increase to a few hundred

There was a 9 percent employment fall for Coloured women, 11 percent for Indian women and a 16 percent fall for African women

Unemployment figures in Durban for July 1980 compared with July 1979 indicate an overall lower level There were 4 707 unemployed and 5 289 registered with the department this year compared with 6 584 registrations and 5 910 unemployed a year before

Each of the sectors has been surveyed by the department

**Engineering** There has been a notable improvement generally and most employers have a full work-load The marine division is extremely busy and the position for the rest of the year appears to be very favourable There were 90 artisans unemployed ( no change on July 1979) and 311 operators out of work ( 290 in 1979)

**Building** the position in the last year has improved considerably and most employers are working to capacity There are 417 artisans unemployed ( 531 previously) and 160 operators out of work ( 159)

**Textiles** there has been a big improvement and while new factories have not been opened existing facilities are now being used to a maximum There are 36 ( 69) registered as unemployed

**Clothing** is very busy at present and there is still a great demand for machinists The number of employers increased by about 40 in the past year and since job reservation ended there has been a marked increase in blacks joining the industry There were 187 ( 276) unemployed in July 1980

**Motor** since last year both the retail and wholesale secors have recovered from the fuel crisis and have shown an appreciable growth compared with last year In fact each sector of the motor vehicle market has shown more stability and even an upswing in sales There were 75 ( 74) unemployed

**Footwear** the position has continued to improve and most factories are working to full capacity There is still a demand for trained workers in various capacities There were 264 ( 131) unemployed

(187) NM 7/10/80

M & S SPITZ 187

# Better heeled

FM 31/10/80

**Activities:** *Manufactures ladies' footwear and retails men's, women's and children's footwear through A & D Spitz, Shoe Biz and Carvela outlets*
*Directors hold 82,5% of the equity*
**Chairman:** *A M Spitz.*
**Capital structure:** *3,3m ordinaries of 50c, 42 500 first 5,5% cum prefs of R2; 75 000 second 5,5% cum prefs of R2. Market capitalisation. R8,5m.*
**Financial:** *Year to June 30, 1980 Borrowings long- and medium-term, R1,2m; net short-term, R1,3m. Debt equity ratio 53,9%. Current ratio. 1,5. Net cash flow, R1,5m Capital commitments R247 000*
**Share market:** *Price 260c (1979-80 high, 250c; low, 170c, trading volume last quarter, 7 900 shares). Yields: 9,8% on earnings; 4,6% on dividend Cover. 2,1 PE ratio 10,2*

| | '77 | '78 | '79 | '80 |
|---|---|---|---|---|
| Return on cap % | 18,0 | 28 3 | 17,6 | 20 8 |
| Turnover (Rm) | 11,8 | 11,7 | 14,8 | 21,1 |
| Pre-tax profit (R'000) | 519 | 888 | 769 | 1 031 |
| Gross margin % | 7,3 | 10,4 | 7,5 | 7,9 |
| Earnings (c) | 11 8 | 28 5 | 24,2 | 25 4 |
| Dividends (c) | 7,5 | 10,0 | 10,0 | 12,0 |
| Net asset value (c) | 87 | 107 | 120 | 138 |

A share price increase of around 30% since last October indicates renewed faith in the company after 1979's profit drop So much so, that at its current price of 260c, the share is yielding an historic 4,6% on payment of a 12c dividend And the market may not be wrong in assuming that this year's performance will be as good, or better, than last year, because balance sheet ratios have been strengthened along with earnings growth.

The earnings drop in 1979 was partly the result of heavy start-up costs in the Shoe Biz chain Its contribution for the first full year reached acceptable levels, and according to chairman Anthony Spitz, significant improvement from the 13 outlets is expected this year

The A & D Spitz chain enjoyed a very successful year, and the two local retail chains, combined with Carvela in the UK, boosted the retail division's contribution to pre-tax income from 33% to 38%.

Although profit growth in the Carvela chain was poor due to the severe economic climate, the UK subsidiary increased purchases from the company's manufacturing division. This enabled it to continue its strong profit growth and expand its product range. Spitz also says that brand names Bally and Charles Jourdan have increased market share

The satisfactory performance of all the divisions is evident in the 43% (26%) turnover growth achieved for the year, plus a 35% improvement in pre-tax profit as opposed to a 13,4% drop the previous year

Earnings per share were somewhat diluted by the November 1979 rights issue of around 570 000 shares But proceeds of around R1m (based on the ruling price of 195c) plus R615 000 cash from the sale of Cape property, have in turn strengthened the balance sheet And its other ratios appear to have taken a turn for the better — return on capital was up from 17,5% to 20,8% and debt equity down from 80,3% to 53,9%

Both increased liquidity, plus expanded debt capacity should allow for a possible acquisition this year following the failure of recent negotiations In the event of another bid being successful, earnings should be boosted both from growth in existing divisions and the addition of a further division The company has also taken steps to prune its UK outfit of the less profitable outlets and this should bring about higher returns

On this basis this year's dividend could be 25% higher in line with predicted market average, and payout of 15c (12c) per share would put the tightly held share on a prospective 5,7%

*Fiona Halse*

SUNDAY TRIBUNE, JANUARY 18, 1981

## Big imports worry industry

# Shoes from the East that hurt!

S. Tribune 18/1/81 (187)

By JACK BRICKHILL

SHOE manufacturers are watching anxiously the big increase in imports of shoes from Taiwan and other Eastern countries.

The recession in Europe and tight trade agreements in the United States and Canada have forced the Eastern countries to exploit new markets and they have set about their task in South Africa with a purpose — capturing 20 percent of the market so far.

In the first eight months of last year Taiwan exported to South Africa more than four million pairs of shoes worth nearly R8-million. Hong Kong exports of under one million pairs were worth R1,2-million and a smaller number came in from South Korea.

The real upsurge started in the middle of last year and is still gaining momentum. The shoes are generally cheaper and are made from synthetic materials which cost less than the materials used by local manufacturers.

The South African manufacturers have seen enough to send them scampering to the Board of Trade and Industries with a plea for higher tariffs on shoe imports.

A previous request to the board was turned down but the situation has changed and the manufacturers now feel they have a better case.

Geoff Everingham, director of the Footwear Manufacturers' Association, says the factories are well employed at present and the jobs of 25 000 workers in the industry, many of them in Natal, are not yet in jeopardy.

He says the situation could easily change if the flood of imports remains unchecked. At present the Taiwanese onslaught is aimed at the lower end of the market but this, too, could change.

Most of the imported shoes come in with no identity of the country of origin, adding to the competitive edge enjoyed by imported goods.

FINE ART & ARCHITECTURE

ARCHITECTURE

Cape Provincial Institute
of Architects' Prize
For the best student in :-
Sixth Year
P F Dunckley
Helen Gardner Travel Prize

## FINE ART & ARCHITECTURE

### ARCHITECTURE

Cape Provincial Institute of Architects' Prize
For the best student in :-

Sixth Year

P F Dunckley

Helen Gardner Travel Prize
For a student who has satisfactorily completed 1st, 2nd and 3rd major courses.

P A Rappoport

Molly Gohl Memorial Prize
For the best woman student in third year.

Miss C Tredgold

David Haddon Prize
For the best student of Architecture (or Quantity Surveying) in the subject of Professional Practice.

D H Pryce Lewis

General J B M Hertzog Prize
For the best final year student.

S A Read

Osbourn Prize
For the best work in fourth year.

D H Pryce Lewis

John Perry Prize
For the best work in

S. Express 25/1/81

# Spitz taking on two more shoe firms

~~232~~ 187

A LEADING footwear group, M&S Spitz Footwear Holdings Ltd, will acquire Cape-based Republic Shoes and S Slovin next month for R750 000

The acquisition, according to chairman Anthony Spitz, will increase the earnings of Spitz Footwear Holdings' shares by 4,45c a share with a reduction in net asset value of 15,84c

He said profits of R250 000 were guaranteed for the first year and 50% of the purchase price would be paid in March The balance would be paid in three equal instalments over three more years

Spitz said the vendors, Ivan Marine and David Steyn, had been appointed joint managing directors of the companies and had accepted long-term contracts with restraint clauses

S.A. Indus-Wk 12/2/81 (24) 187

# Wily oriental plan...

AN upsurge in shoe imports from the Far East is causing concern among local manufacturers who feel they have a case to make to the Board of Trade and Industries to ensure continued expansion of their labour intensive industries

Made from mostly cheaper materials, the imports from Taiwan, Hong Kong and South Korea are beginning to stretch from the cheaper end of the market to the more expensive ranges making the shoe market more competitive, says Sam Davidson, president of the Footwear Manufacturers' Federation

Although the shoe industry appears to be growing steadily, some sectors are thought to be feeling the pinch as a result of imported shoes undercutting certain local products

"We are waiting for more recent information, but issues such as labour and production costs warrant further investigation before we can present our case," he told Industrial Week

Imported shoes have captured 20% of the local market according to latest research in August last year While imports have increased Davidson points out that high-class products from Italy and other European countries do not worry local manufacturers as these were aimed at a special part of the market

Shoe sales doubled in June and July compared with those months in 1979, but "normalised" at 10% above 1979 sales in August, according to latest figures

"I think there is still plenty of capacity in this industry for expansion If there isn't then we'll make the capacity to meet expanding demands, says Davidson

FACULTY OF ENGINEERING

Corporation Medals

For the best student in each of the 2nd, 3rd and final years.

Second Year (Bronze Medal)

Miss G C Littlewort

Third Year (Silver Medal)

Miss N C Davidson

Fourth Year (Gold Medal)

P M Salmon
T J Cumming
D P Weeks
J H Rens
B F McClelland

Professor George Menzies Prize

Awarded on results of final examinations to the best male student in Land Surveying or Civil Engineering.

J H Rens

Sammy Sacks Memorial Prize

Awarded to the student with the best classwork in Engineering Drawing.

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CHEMICAL

## Shoes

26/2/81

126 Mr G S BARTLETT asked the Minister of Industries, Commerce and Tourism

What was the (a) number in pairs and (b) value of shoes (i) manufactured locally, and (ii) imported from countries outside the Republic for each country exporting to the Republic, in respect of each month of the latest 18 months for which figures are available?

The MINISTER OF INDUSTRIES, COMMERCE AND TOURISM

| | (i)(a) Pairs | (i)(b) R-Value |
|---|---|---|
| 1979 | | |
| January | 2 660 000 | 11 310 000 |
| February | 4 062 000 | 17 874 000 |
| March | 4 254 000 | 21 609 000 |
| April | 3 935 000 | 20 143 000 |
| May | 4 227 000 | 18 809 000 |
| June | 3 968 000 | 15 759 000 |
| July | 4 513 000 | 21 238 000 |
| August | 4 917 000 | 23 394 000 |
| September | 4 889 000 | 24 789 000 |
| October | 4 817 000 | 24 212 000 |
| November | 5 059 000 | 26 654 000 |
| December | 2 723 000 | 15 702 000 |
| 1980 | | |
| January | 2 717 000 | 14 208 000 |
| February | 4 411 000 | 21 484 000 |
| March | 4 482 000 | 23 711 000 |
| April | 4 369 000 | 23 982 000 |
| May | 4 568 000 | 22 689 000 |
| June | 4 809 000 | 20 694 000 |

(ii)(a) and (b) Particulars of imports of shoes per country *per month* are not readily available Information on total imports of shoes per country for 1979 as well as for the first 9 months of 1980 is furnished below



| Country | 1979 Pairs | 1979 FOB Price | January to September 1980 Pairs | January to September 1980 FOB Price |
|---|---|---|---|---|
| United Kingdom | 131 860 | 955 767 | 68 531 | 909 281 |
| The Netherlands | 308 | 1 958 | 310 | 2 073 |
| Germany (Federal Republic) | 97 415 | 786 505 | 67 929 | 616 253 |
| France | 5 675 | 50 033 | 4 912 | 61 986 |
| Spain | 91 842 | 459 846 | 90 038 | 403 132 |
| Italy | 131 340 | 2 108 734 | 146 245 | 2 643 729 |
| Finland | 375 | 13 661 | 102 | 1 119 |
| Canada | 210 | 2 510 | 723 | 11 300 |
| United States | 126 017 | 1 491 912 | 160 497 | 1 452 061 |
| Brazil | 19 832 | 185 110 | 33 809 | 302 674 |
| Israel | 32 391 | 71 444 | 115 127 | 309 141 |
| Hong Kong | 1 749 382 | 2 489 083 | 1 422 971 | 2 274 143 |
| Taiwan | 4 607 472 | 7 492 849 | 4 900 736 | 9 248 185 |
| Japan | 52 782 | 250 776 | 22 682 | 153 634 |
| Korea | 1 009 056 | 2 367 576 | 594 111 | 1 813 779 |
| Australia | 277 | 2 585 | 60 | 968 |
| Ireland | 2 143 | 28 690 | 2 897 | 49 817 |
| Macao | — | — | 20 088 | 13 333 |
| Belgium | — | — | 1 | 5 |
| Austria | 3 144 | 11 969 | 1 960 | 20 604 |
| Sweden | 15 841 | 148 821 | 18 269 | 191 864 |
| Portugal | 36 698 | 264 464 | 44 635 | 523 153 |
| Greece | 20 449 | 282 239 | 10 264 | 200 152 |
| Norway | 3 024 | 12 403 | 4 020 | 6 432 |
| Switzerland | 1 174 | 23 058 | 675 | 32 374 |
| Uruguay | 484 | 9 121 | — | — |
| Argentina | 4 | 32 | — | — |
| Denmark | 1 | 16 | — | — |
| Colombia | 112 | 781 | — | — |
| New Zealand | 1 | 13 | — | — |

RDM 19/3/81

184 151 187 139

# Frame group denies dispute

By STEVEN FRIEDMAN
Labour Reporter

THE giant Frame group has flatly denied an allegation by the unregistered SA Allied Workers Union that a worker at one of its subsidiaries, Natal Canvas, has been fired for refusing to join a registered union

The Frame Group's joint managing director, Mr Selwyn Lurie, said yesterday "It is certainly not our policy to force workers to join unions We have never heard of Saawu and we know of no trouble at Natal Canvas We do not even know of any dismissal there "

Saawu's general secretary, Mr Samuel Kikine, claims that the chairman of a Saawu committee at Natal Canvas was fired for refusing to join a registered leather workers' union which recently opened its doors to black workers

He said workers had been told to join this union or be fired He also claimed that a similar incident had occurred at a Natal printing works where workers had resigned after being told to join a registered union or be fired

Mr Lurie said, however, that he knew of no incident at Natal Canvas He said the 300-odd black workers at the plant were all registered union members, but added "We are employers — why should we force workers to belong to a trade union, which is on the other side of the bargaining table?"

A clause in the industrial agreement governing the leather and footwear industry says employers must show "preferential treatment" to members of the registered union

But Mr Lurie said the company had never understood this to mean workers could be forced to join the union "Membership of the union is entirely voluntary and this entire story is total nonsense", he added

Surviving children per mother

| | | | |
|---|---|---|---|
| Ciskei | 2,64 | 4,07 | 3,06 |
| Transkei | 2,24 | 3,86 | 2 32 |
| Basutoland | 2,02 | 4,20 | 2,28 |
| Mean .. | 2,28 | 3,95 | 2,45 |

Survivors as percentage of children born

| | | | |
|---|---|---|---|
| Ciskei | 62,8 | 52,3 | 58,3 |
| Transkei | 50,[illegible] | 49,9 | 51,7 |
| Basutoland | 71,5 | 66,2 | 70,8 |
| Mean .. | 55,0 | 51,0 | 54,0 |

Child mortality per 1 000 live births

| | 1 year or under | 2 years or under | 18 years or under |
|---|---|---|---|
| Ciskei | 164 | 244 | 374 |
| Transkei | 284 | 379 | 557 |
| Basutoland | 140 | 189 | 290 |
| Mean .. | 242 | 327 | 508 |

# Strikers meet with management

Sime. 20/3/81

Labour Reporter

Union leaders met with management early today as the strike at the large Tongaat group in Durban went into its second day

More than 500 workers went on strike yesterday after making demands for higher wages and protesting the dismissal of 17 colleagues earlier in the week

Mr Selby Nsibande, the general secretary of the Sugar Manufacturing and Refining Employees Union, met with Tongaat management yesterday to present workers demands which include double time for Sunday duty and improved working conditions

A Tongaat spokesman said there were fewer strikers today. A representative of the kwaZulu government was attending the talks

Management hoped the dispute would be over by the end of today

The Sugar Manufacturing and Refining Employees Union is an unaffiliated union In the past it has been accused of being a company union

# SA Brews in major new growth plan

S. Times, 29/3/81 (187)

AMREL the furniture-retailing arm of SA Breweries with large shoe interests is embarking on an aggressively competitive expansion programme costing R27 million this year

Key point of the programme is the establishment of discount furniture warehouses where customers can walk in and with the help of home decorators furnish an entire home

By Elizabeth Rouse

The establishment of Amrel's discount furniture warehouses which will offer customers a wide variety of quality furniture plus all accessories making up a home was announced by managing director Ronnie Cohen this week

The first two warehouses each costing R2 million (including leasebacks) will open before the Christmas season

Building has already started in Durban near the new station and in Alberton's main street both warehouses being strategically sited to compete with other furniture chains

The existing 4 000 sq m Amsterdam store in Pretoria which will be extensively revamped will be the flagship of the chain to be called Amsterdam

By March 1982 a warehouse will be built in a well populated Johannesburg area with another to follow to serve the East Rand

Cape Town Pretoria (which will have two warehouses by the end of 1983) and Port Elizabeth are next on the programme By the end of 1983 Amrel will have at least eight furniture warehouses

Mr Cohen forecasts that the Pretoria Durban and Alberton discount warehouses will chalk up sales of R20 million in the first year of business The group's total investment of about R15 million should eventually yield a turnover of R50 million a year

By offering customers the convenience of one-stop shopping plus the advice of decorating experts Mr Cohen believes that Amrel is filling a gap in the furniture trade

The term warehouse may reflect the size of the buildings but not the variety and quality of furniture and other household goods which will be on offer

● To Page 3

S. Times 29/3/81 (188) (187)

# Sizzling furnisher plans

● From Page 1

Based on the US concept of furniture discount warehouses, which have proved to be enormously successful, the goods on sale will range from crockery, cutlery, linen, carpets and curtains to furniture for every room in the house

Amrel's buying policy will be highly competitive, and furniture and household articles from all countries will be on sale

Mr Cohen has been looking at goods available from the Far East (Taiwan, naturally) and found excellent quality at competitive prices

He is now heading for the United States and will look also at Continental furniture Amrel is already retailing top quality curtains and carpets from the Continent

Amrel is aiming for the medium to up-market furniture trade, but prices will be at cash levels, in other words competitive with cash-and-carry prices, with the usual credit-sale terms available for buyers

Existing furniture-retail components of Amrel — Geen & Richards, Lubners, McNamees and Melodys — are also scheduled for expansion Amrel has signed leases on 20 new stores, the majority of which are now being built They will be opened from April to September this year.

Four Melody stores are being added with the aim of getting a stronger foothold in the musical instrument business in South Africa (In fact, Amrel seems to have no major competitor left in this market )

Amrel's shoe division, which last year opened 50 new stores, including 39 Selecta outlets, is to add 35 stores to its empire this year, Eleven uneconomic shoe stores have been closed and R1-million is being spent in refurbishing existing stores

The Barnes chain, which operates mainly in-store branches (such as in Garlicks and John Orrs), has opened two free standing stores in Johannesburg and Pretoria

More ambitious is the establishment of a chain of initially six women's high fashion shoe outlets in up-market urban areas such as Sandton

In addition 25 new Multiserv kiosks (heel repairs and keys) will be opened in stores this year

Last, but not the least most lucrative profit growth area once SATV's Channel 2 is launched, is the Early Bird Television service division It does all OK and Amrel repair work, and profit growth should be substantial once blacks buy television sets in quantity This division is also expanding into servicing of domestic and household appliances

Broking analysts expects a total dividend of 60c to 62c from Amrel for the March 1981 year-end This means that earnings will be in the region of 180c-186c, given a three-times-covered dividend Sales could be in the R165-million to R170-million region

Ronnie Cohen is optimistic about Amrel's growth prospects for the 1981-1982 year and expects a real growth of 30% in its furniture business

Section C

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## SEARLES (187) FM 28/4/81

# Bright prospects

**Activities.** *Manufacturer of men's & women's shoes Also involved in sawmilling, the supply of timber housing and timber product trading outlets GGMB Investments owns 65% of the equity*

**Chairman·** *D Bolton*

**Capital structure·** *1m ordinaries of R1, 175 000 5,5% prefs of R2 and 30 000 variable rate prefs of 10c Market capitalisation R4,6m*

**Financial.** *Year to February 28 1981 Borrowings long- and medium-term, R1,1m, net short-term, R1,1m Debt equity ratio 20,2% Current ratio 3,0 Group cash flow R2,2m Capital commitments Nil*

**Share market** *Price 460c (1980-81 high, 590, low, 420c, trading volume last quarter, 13 000 shares) Yields 40,0% on earnings, 7,8% on dividend Cover 5,1 PE ratio 2,5*

Price

$P_1$

$P_2$

$P_e$

$P_2$

S

| | †'78 | †'79 | '80 | '81 |
|---|---|---|---|---|
| Return on cap (%) | 12 8 | 19,8 | 27,4* | 24 4 |
| Turnover (Rm) | 17,9 | 18 3 | 15,0 | 27,0 |
| Pre-tax profit (Rm) | 0 8 | 1,7 | 1,6 | 3,1 |
| Gross margin (%) | 7 3 | 10 6 | 12 0 | 12,1 |
| Earnings (c) | 76 1 | 116 0 | 96 3 | 182 5 |
| Dividends (c) | 16 | 24 | 16 | 36 |
| Net asset value (c) | 534 | 633 | 703 | 1 038 |

† 12 months to June 30 * annualised

**The success of** Searles' first full year since the takeover by GGMB Investments which owns Cargo Carriers, is indicative of a promising future And, says chairman Des Bolton, the current year should prove even more profitable

Pre-tax profit rose 88% to R3,1m (R1,6m) in the year to February 28 1981 Sales increased 20% on an annualised basis to R27m, as a result of expanding operations in footwear, which contributes about 95% of profits

Shareholders may feel that a more generous distribution policy could have followed the 26,3% annualised earnings increase to 182,5c but, though cover remains high, dividends rose 50% (annualised) to 36c

Bolton says the effect of inflation and the necessity for liquidity are behind the conservative cover of five times

One of the problems facing the group is that cash is paid for most of the raw materials in order to gain discounts

"If the tanneries put up their prices it is difficult to keep ahead if we are not sufficiently liquid," he says

Bolton wants to avoid paying higher dividends "if further borrowings have to be raised in order to do so" Debt equity dropped from 28% to 20,2% last year

Changes and improvements in the sawmill division resulted in a marked improvement in profitability This is expected to continue during the current year

The 1980 acquisition of Bagshaw Gibaud (manufacturer of the Hang Ten casual range) was not as successful as expected However, GGMB has offered to retain the company until the adverse operating trend has been reversed Bagshaw will then be sold back at cost

To finance working capital requirements and future expansion, R3m variable rate redeemable cum prefs were created, and R2m has already been privately placed at a premium of 90c a share

There are no acquisitions planned but says Bolton, "we are always in the market"

Bolton does not expect the group to be adversely affected by a slowdown in the economy and says the order book for the current year is in "super" shape "The shoe division is highly profitable and there is no reason for a decline," he says

Searles has scope to increase borrowings but liquidity remains good Group cash flow was much improved at R2,2m last year

At 460c the share is under-valued on the 2,5 time PE rating The dividend conscious market is obviously looking for an eventual dividend hike, especially considering the recent high earnings growth The share seems a nice spec

Cathi Warriner

Searles' Bolton . . . 'super' orders

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# Spitz doubles profit and raises dividends

1/9/81 (183)

By HAROLD FRIDJHON

**M & S Spitz Footwear holdings has doubled its profits for the year to June 1981. Attributable income has gone up from R7[illegible] 679 to R1 635 000 and the final has been raised by 2c to 14c making 20c for the year against 1?c last year.**

From a turnover 24,8% higher, pre-tax profit was 132% higher at R2 340 000 but the tax bite was heavy. The percentage paid to the Receiver rose from 19,6% to 30%

Dividend cover has been raised to 2,5 times and as a matter of policy this cover will be gradually raised.

Mr Anthony Spitz, the executive chairman, said that he was delighted with the group's excellent performance which was the result not only of the buoyant trading conditions, all the divisions made a positive contribution to profits.

The breakdown shows that 52% of profits came from footwear manufacturing and 45% from retailing, with the balance from wholesale activities. The group had been in the whol-sale field only since March and that this could be regarded as being an important growthpoint in the business.

Spitz has bought 51% of Eurofit International (Pty), a womens clothing manufacturer, and Continental Fashion Accessories (Pty), a handbag manufacturer

A new point of departure will be the opening of the Dunhill Store and the Bally boutiques These will be new diversifications into the up-market trade which Mr Spitz says is less volatile than the popular business and therefore should be able to withstand any downturn in the economy

The recent acquisitions and the new developments mean that Spitz is no longer a manufacturer and retailer of footwear It is a diversified group with assets in excess of R12-million

The groupo, he says, should again show healthy growth during the current year althouygh the rate of growth might be lower

**COMMENT**: M&S Spitz has made excellent progress in the past five years with turnover up from R12-million to more than R24-million and with earnings more than four times bigger, having grown from 12c a share in 1977 to 50c last year

With the current dividend, the yield at last night's price is just over 6% which indicates that the share is highly regarded

# RETAIL CHIEF HITS AT LATE DELIVERIES

Argus 14/11/81

By TOM HOOD (187) ~~186 187 30~~

**TOP executives of garment, textile and footwear manufacturing companies were given a tongue-lashing by Mr Adrian Bellamy, managing director of the giant Edgars Stores group, in Cape Town this week.**

He came to present awards to some of the 49 suppliers who gave Edgars 'distinguished service' in the past year

But he also complained of late deliveries of merchandise On average one out of every three orders was seriously late, he said

'I am a frequent visitor to America and Europe and I can categorically say that the delivery performance we have been forced to accept over the past 18 to 24 months is seriously deficient by international standards'

**HIGH LEVELS**

He accepted that the clothing, footwear and textile industries faced exceptionally high levels of demand. But so had many other sections of the economy and they had generally responded well to that challenge.

'We must share some of the blame for the problem There are, however, a sufficient number of firms that are performing in an exemplary fashion with deliveries that I must suggest those with a tarnished record should first look at the quality of their own management for a solution.'

MR A D P BELLAMY, managing director of Edgars Stores.

He said Edgars was essentially in partnership with its suppliers The group's professional divisions could help suppliers in matters such as quality assurance, industrial relations, data processing and organisation structure.

**FOREIGN MARKETS**

Edgars' policy was always to buy South African except where South Africa could not provide

'Over the past 18 months we have been forced into foreign markets because of the non-availability of local merchandise Frankly, faced with your delivery record we had no alternative

The solution to our future success in textiles, clothing, footwear and the associated retailing is effective management, not import permits or draconian duties

'It is indefensible for any industry with such a record to be simultaneously launching a public programme for protection How much more satisfactory, surely, to put these enormous efforts into an improved performance'

● Complaints like Mr Bellamy's will be discussed next week at the National Clothing Federation convention in Sun City, the president, Mr Simon Jocum, said in Cape Town

'Retailers and many others will attend and we want to investigate the extent of these delays

'South Africa has 1 150 clothing factories and each one claims his deliveries were on time. Obviously, some are better than others and we are concerned at statements like this'

MANUFACTURING – ~~SHOES~~ FOOTWEAR

1982 — 1986

The Natal Mercury, We

Mercury 24/2/82

# 'Not in South Africa'

187

## Industrial council unable to help KwaZulu's striking workers

Mercury Reporter

A HOMELAND industry the KwaZulu Shoe Company, yesterday experienced its second day of a work stoppage after 700 workers downed tools in support of demands for recognition of their union and reinstatement of a fired worker

The workers from the Loskop factory downed tools following the dismissal of a woman worker At a meeting of the registered National Union of Textile Workers she had complained of maltreatment by the supervisor according to the general secretary of the union Mr Obed Zuma

The problem of homeland industries was underlined yesterday when the National Industrial Council of the Leather Industry of South Africa told the Mercury that the KwaZulu Shoe Company fell outside their jurisdiction because it was not in South Africa

The company therefore was not subject to the minimum wage levels and work conditions laid down by the industrial council

A spokesman for the council said the R14 a week that KwaZulu Shoe Company workers claimed they were being paid was well below the minimum laid down

He said even a flicking worker responsible for cutting out the uppers was paid a minimum of R76 41 a week according to the agreement

The senior liaison officer of the Government-funded Corporation for Economic Development — which holds a third of the shares of the company — Mr Philip Kotzenberg said they did not interfere in any of the homeland industries set up by the Corporation for Economic Development

He said the other shares were held by the Bata Shoe Company

'Although we are most perturbed about the situation the Corporation for Economic Development is not going to interfere as it is a matter that has to be sorted out between management and the workers' he added

Concerning the industries relationship to unions Mr Kotzenberg said the corporation's advice to them was that they must talk to all people especially if they represented the majority of the workers

He said the primary objective of the corporation was to provide work in the rural areas It could not do this if it had to adhere to the minimum wages laid down for metropolitan areas by the various industrial councils

'We try to make sure the workers get an adequate wage' Mr Kotzenberg said

Mr Zuma the general secretary of the Fosatu affiliated union which represents 13 260 textile workers nationwide said they had written a memorandum to the chief of the area — a copy of which would be forwarded to the KwaZulu Legislative Assembly

### Chief

He said the memorandum outlined the workers grievances and urgently requested the chief to do all in his power to get the worker reinstated to stop the company recruiting non union labour to compel them to negotiate with the union and to have the company subject to the industrial council agreement

'KwaZulu should not be allowed to be used as a cheap labour sweat shop' Mr Zuma said

Mr Peter Bodovines the manager of KwaZulu Shoe Company, could not be contacted yesterday

All cleared

# 700 ~~[illegible]~~ KwaZulu shoe ~~[illegible]~~ workers 187 down tools

Mercury Reporter

ABOUT 700 workers downed tools at the KwaZulu Shoe Company in Loskop near Estcourt yesterday after management dismissed one of the workers, according to union sources.

The general secretary of Fosatu affiliated union, the National Union of Textile Workers, Mr Obed Zuma said the workers had downed tools after one of the women workers had been dismissed.

He said this had followed a union meeting where the fired worker had complained of ill-treatment by a supervisor.

Workers were now demanding the reinstatement of the woman and recognition of the union, he said.

Mr Zuma said union officials had introduced themselves to the company but the management had refused to deal with them.

He claimed that some workers were paid R14 a week — a third of the minimum.

Repeated efforts to contact the management of the company were unsuccessful.

Mercury 23/2/82

ACCOUNTING A

SOLUTION TO: GL5

(1) Premiums Treated as Business Expense

| | | | |
|---|---|---|---|
| 01, Jan 1: | Insurance Expense<br>Bank<br>being payment of premium | 300 | 300 |
| Dec 31: | Income Statement<br>Insurance Expense<br>being closing entry | 300 | 300 |

Years 02 and 03 - same as 01

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| 04, Jan 1. | Insurance E<br>Bank | 300 | 300 |
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Continued/ .........

SOLUTION TO: GL5

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RAND 197

# 700 on strike at KwaZulu factory

ROH 24/2/82

**Labour Reporter**

ABOUT 700 workers have gone on strike at a North Natal shoe factory — and their union says their grievances highlight the plight of workers in "homeland" factories

The strike hit the KwaZulu Shoe Company at Loskop, near Estcourt, earlier this week

The general secretary of Fosatu's National Union of Textile Workers, Mr Obed Zuma, said the dismissal of a union member had sparked the strike

He said 10 other workers had been threatened with dismissal if they attended union meetings

Company spokesmen were not available yesterday

Mr Zuma claimed the national industrial council had told the union wages should be determined by the KwaZulu National Assembly and not by the industrial council, which lays down minimum wages "at least three times higher" than those paid at the company

Continued/ .........

# Back to work

~~192~~ ~~140A~~ ~~107~~ 187

Mercury 25/2/82

**Mercury Reporter**

KWAZULU Shoe Company workers yesterday decided to return to work after a meeting with union officials

At an earlier meeting, community councillors from the Loskop area had told the workers to return to work but they had refused

Mr Obed Zuma, general secretary of the Fosatu-affiliated National Union of Textile Workers, said workers had reconsidered their decision late yesterday after a meeting at the union offices in Estcourt

About 700 workers downed tools on Monday after management had fired one of the woman workers. Workers also had demanded recognition of the union

At the meeting held near the Loskop factory, workers told community councillors that the dismissed woman had been ill treated by a supervisor at the factory

Union officials have claimed that the woman was fired because she had complained of ill treatment by the supervisor at a union meeting

Workers also complained of irregular lunch breaks, wages as low as R11 a week and that they were not paid during sick leave or for overtime

A company official who would not give his name told the Mercury after the meeting that the dismissed woman worker had been warned a number of times that she was not doing her work properly. After the fifth warning she was fired

He said the worker had not complained to management about ill-treatment. The first time he had been aware of it was when the workers had gone on strike

Community workers told the Mercury that they had been approached by management and asked to tell the workers to return to work

FM 12/3/82

SA BREWERIES

# Well-heeled

187

**The Edgars takeout** has given SA Breweries control of more than the country's biggest fashion retailer — it has also handed it over 60% of national footwear outlets.

The 450-odd Edgars branches have brought well over 800 of the 1 380 registered shoe stores under the SAB banner. Which suits Breweries' book well, for the corporate policy is apparently to dominate whatever field it decides to enter

Yet, although SAB will dominate the retail shoemarket in terms of numbers, it will effectively hold only 25% of the R650m/year market

Prior to the Scotts takeover early in the year, the group's footwear interests were represented by Amalagamated Retail (Amrel) and manufacturer Shoe Corporation of Africa (Shoecor).

Amrel controls about 280 outlets through Cuthberts, Barnes, Select-a-Shoe and Moda Belle. With Scotts, which will fall under Amrel from April, the total rose to 410

The addition of about 450 Edgars branches now gives SAB more outlets than the rest of the market combined.

On the manufacturing side, Shoecor has four factories, producing brandnames like Barker, Hush Puppies and Millana With Edgars and Scotts, SAB acquired six more factories, which make brands such as Richleigh and La Nova

Some small retailers regard the latest takeovers with concern. Many are supplied by the SAB factories and some feel that their supplies may be curtailed in favour of SAB's own stores.

But Laurie van der Watt, chief executive of SAB's industrial division, rejects the possibility "SAB's shoe factories," he says, "are always kept at arm's length from our retail outlets The factories' primary concern is not to give preferential treatment, but to produce for the demand."

SAB's 10 shoe factories give the group less than 8% of the 130 factories registered with the Footwear Manufacturers Federation (FMF) "Taken on this wider scale," says Van der Watt, "fears of a monopoly can be scotched"

Larger retailers do not view SAB's move as pessimistically Says John Hallowes, marketing director of A & D Spitz, "Monopolies don't work in the fashion game. Consumers want to be different and the greater the variety the better."

But most retailers and manufacturers seem less concerned with SAB's latest acquisitions than they are with the prospects for 1982.

For the first 11 months of 1981 local shoe production reached 58,7m pairs, an increase of 10% on the same period for 1980. On the retail side there was a real annual growth during 1981 of about 8%

At the same time imports, mainly from the East, jumped from 10,5m pairs worth R25m in 1979, to 16,2m pairs worth R51m for the first nine months of 1981

Manufacturers are concerned because they say they cannot compete with either the staggering growth in imports or the low production costs of most overseas competitors. Furthermore, most leather materials required by manufacturers have recently been hit with a 10% import surcharge, while imported non-leather footwear remains largely unaffected.

Says Geoff Everingham of the FMF, "No compensatory increase has been forthcoming on other imported footwear and local manufacturers are left bearing the increase."

**Shoe customer . . . fitting shoes from SAB?**

Manufacturers have made representations to government for protective relief, claiming that job opportunities in the footwear industry are being affected by the increasing imports.

A slowdown in imports, however, looks likely. The pessimistic economic outlook for 1982 has caused retailers to predict that real growth in shoes this year will be a minimal 2% or even less.

Says Toekie de Bruyn, chairman of the National Shoe Retailers Association· "Imports will not be as high as last year This will allow a moderate volume growth for local manufacturers"

# Hammarsdale mill workers end stoppage

~~152~~ ~~1400~~ 187 ~~197~~ ~~196~~ ~~183~~ ~~107~~

16/3/82

**Mercury Reporter**

ABOUT 600 workers from the Progress Knitting Mill at Hammarsdale returned to work yesterday after management agreed to re-employ 80 fellow workers who downed tools at the weekend

The 600 workers downed tools on Tuesday after management had said they would only selectively re-employ the 80 workers

The 80 workers stopped work on Saturday after they had worked five days of 12-hour shifts because of the introduction of a new shift system, and had received R7 extra pay for the overtime

Yesterday morning when the workers arrived at the gates of the factory, a contingent of riot policemen was waiting on the road so they decided to enter the factory gates, according to union sources

Management representatives closed the gates when half the workers had entered the factory grounds and entreated them to return to work

## Fired

They told the workers that the other 80 workers had been fired The men still refused to return to work

Management then told workers they would discuss the issue with elected representatives of the workers

A committee of 12 workers met management and a settlement was reached when they agreed to re-employ the 80 workers

Mr P D Jacobson, Progress Knitting Mills' chief executive, said 'the dispute arose out of a misunderstanding concerning a new shift system which was introduced, after discussions with a union representative which now has been accepted by the workers

'The discharged workers were given the opportunity of re-applying for their jobs on the same conditions as applied previously,' he said

## Refused

Meanwhile, at Tongaat Milling in Estcourt the 140 workers who last week downed tools following management's refusal to dismiss a supervisor who, they claim, victimised workers, still refused to return to work yesterday

According to an official of the Fosatu-affiliated Sweet, Food and Allied Workers' Union, they had refused to return because management had agreed only to selective re-employment

The managing director of the company, Mr W O R Gibson, was not available for comment

KwaZulu Shoe Company entered its fourth day of work stoppage after about 700 workers downed tools following the dismissal of a shop steward Workers have demanded recognition of the National Union of Textile Workers (NUTW)

## Meeting

The secretary for the KwaZulu Department of the Interior, Mr A M J van Rensburg, said yesterday a meeting between the labour officer of the department, management and workers was still being arranged

At a meeting with union officials this weekend Dr Frank Mdlalose, the KwaZulu Minister of the Interior, agreed to mediate between workers and management

According to union officials management had agreed to meet the KwaZulu labour officer today but without workers This had not been accepted by the department and they still were negotiating with management for workers to be present at the meeting

Mr Obed Zuma, the general secretary of NUTW said union officials had gone yesterday to Johannesburg to discuss the issue with the Canadian ambassador The major shareholders in KwaZulu Shoe Company, Bata, has its head office in Canada

## Legal

He also said he would be calling a national executive committee meeting of the NUTW which represents 13 500 workers countrywide, to discuss the possibility of declaring a legal strike at KwaZulu Shoe Company

At the Henkel chemical plant at Prospecton, the company had re-employed only 20 of the 160 dismissed workers, according to union sources

Last Tuesday 200 workers downed tools after a dispute over the company's pension fund A number of workers had been re-employed at the end of the week

Talks between the Chemical Workers' Industrial Union (CWIU) and management in an attempt to get management to rehire all the dismissed workers broke down on Tuesday

Meanwhile, at Colgate-Palmolive in Boksburg, the subject of a four-month strike and a consumer boycott last year, a wage settlement has been reached between management and the Fosatu-affiliated CWIU

According to the settlement, workers will receive a minimum of R1,95 an hour and this will be increased to R2,04 in November

## 700 sacked

Weekend Argus Correspondent

JOHANNESBURG — Formal complaints have been made to the ICO and the Canadian Government over the dismissal of 700 workers last week at the [illegible] plant in [illegible]

Argus [illegible]

187

Mercury 20/3/82

# Week-old stoppage at shoe factory 'to continue'

**Mercury Reporter**

ABOUT 200 KwaZulu Shoe Company workers have returned to work but the majority have decided to continue with the week old stoppage according to trade union sources

About 700 workers from this homeland industry at Loskop near Estcourt downed tools last week when one of the shop stewards was dismissed

They demanded his reinstatement and the recognition of the National Union of Textile Workers (NUTW)

This was the second stoppage that the company has experienced this year Workers downed tools at the end of last month when a worker was dismissed and they also had demanded recognition of the union

An NUTW spokesman said workers who had returned to work had said that a notice was put up in the factory stating that no worker was allowed to become a member of the union

Mr Peter Bodovines the managing director, was not available for comment

The spokesman said he had spoken to a Canadian Consulate official in Johannesburg who had said that they had been aware of Bata's Pinetown factory which they had been told conformed to the conditions and minimum wage requirements laid down by the Industrial Council of the Leather Industry

He said the consulate official had been unaware of the Loskop factory in which Bata — whose head office is in Canada — had the majority shareholding

The union has claimed that wages at the factory were only a third of the minimum laid down by the industrial council

But because the factory falls within KwaZulu it does not fall within the ambit of the council

The official could not be contacted late yesterday because she had left for Swaziland

Meanwhile at Tongaat Milling Company in Estcourt most of the workers who had downed tools more than a week ago returned to work yesterday

An official of the Fosatu affiliated Sweet Food and Allied Workers' Union said almost all the 150 workers had been re employed - only 17 had been refused employment

The workers downed tools last week for the second time this month when the subject of their first strike a supervisor, had not been dismissed Workers had claimed victimisation by the supervisor

The union official said negotiations with management about the 17 workers and the supervisor would continue

The regional director of Tongaat Food South Mr W Florence said the 17 had not been re employed because during the stoppage the firm had found it needed less labour

The Fosatu affiliated Chemical Workers Industrial Union (CWIU) which called for a consumer boycott during a four month strike at Colgate-Palmolive in Boksburg last year, is considering a similar action against Henkel

About 250 workers downed tools on March 9 at Henkel chemical plant in Prospecton after dissatisfaction with wages the company's pension scheme and the introduction of a new shift

Although all the dismissed workers applied for re employment only 75 of them have been reported to have been re-employed

# Move to resolve Loskop dispute

(87) Mercury 9/4/82

**Mercury Reporter**

THE KwaZulu Minister of the Interior, Dr Frank Mdlalose, has directly intervened in the four-week dispute between workers and managment at the KwaZulu Shoe Company at Loskop near Escourt in an attempt to 'get the two parties talking'

Following a meeting at Ulundi between Dr Mdlalose and management of this Bata owned factory, the department's labour officer, Mr Z A Khanyile, has been instructed to arrange a meeting between the striking workers and management.

A department official in Ulundi said yesterday Mr Khanyile had left for Loskop to discuss the proposed meeting

The four-week stoppage, which is the second the company experienced this year, was sparked off on March 12 when approximately 700 workers downed tools following management's dismissal of a shop steward

Workers have been demanding his reinstatement and the recognition of the Fosatu-affiliated National Union of Textile Workers (NUTW)

Workers had begun to drift back to work at the end of last month but when Dr Mdlalose summoned the company's management to Ulundi workers decided to continue the stoppage

Dr Mdlalose said the meeting had established quite clearly that 'we as a Government have jurisdiction over companies operating in KwaZulu'

He said the KwaZulu Government expected companies to listen to workers' grievances and allow them to establish their own trade unions

The general secretary of the NUTW, Mr Obed Zuma, said at a meeting this week about 200 workers decided to continue the stoppage

## Officials meet over deadlock

**Mercury Reporter**

**FOLLOWING a month-long dispute between Chemical Workers Industrial Union and Henkel, the Federation of South African Trade Unions officials met with the management late yesterday in an attempt to resolve the dispute**

**The dispute started after about 250 workers at Henkel's Prospecton plant downed tools on March 9 over wages, pensions and the introduction of a new shift**

**Although they all applied for re-employment, only 75 of them appear to have been accepted**

**The union has distributed thousands of pamphlets calling for a boycott of Henkel products.**

**The results of the meeting were not known last night.**

# Shoe company dispute: talks arranged

D. Dispatch 9/4/82

(187)

DURBAN — The KwaZulu Minister of the Interior Dr Frank Mdlalose, has directly intervened in the four-week dispute between workers and management at the KwaZulu Shoe Company at Loskop near Escourt in an attempt to "get the two parties talking"

Following a meeting at Ulundi between Dr Mdlalose and management of this Bata-owned factory, the department's labour officer, Mr Z A Khanyile, has been instructed to arrange a meeting between the striking workers and management

A department official in Ulundi said yesterday Mr Khanyile had left for Loskop to discuss the proposed meeting

The four-week stoppage, which was the second the company experienced this year, was sparked off on March 12 when approximately 700 workers downed tools following management's dismissal of a shop steward

Workers have demanded his re-instatement and the recognition of the Fosatu affiliated National Union of Textile Workers (Nutw)

Workers had begun to drift back to work at the end of last month but when the KwaZulu Minister for the Interior, Dr Frank Mdalose, summoned the company's management to Ulundi, workers decided to continue the stoppage

The meeting had been postponed until recently as Dr Mdlalose had accompanied Chief Gatsha Buthelezi on his visit to Germany

Dr Mdlalose said the meeting had established quite clearly that "we as a government have jurisdiction over companies operating in KwaZulu"

He said the KwaZulu government expected companies to listen to workers' grievances and allow them to establish their own trade unions

The general secretary of the Nutw., Mr Obed Zuma, said at a meeting this week about 200 workers decided to continue the stoppage

Workers said that more than 400 workers were still involved in the stoppage, Mr Zuma said

The managing director of KwaZulu Shoe Company, Mr Peter Bodovines was not available for comment

● Following a month-long dispute between Chemical Workers' Industrial Union and Henkel, Fosatu office bearers met with management late yesterday in an attempt to resolve the dispute

The dispute between the Fosatu affiliated union started last month when after about 250 workers at Henkel's Prospecton plant downed tools on March 9 over wages, pensions and the introduction of a new shift

Although all the workers applied for re-employment, only 75 of them have reported to have been re-employed

The results of the meeting were not known last night — DDC

# Shoe firm workers break off strike

C. Herald

April 1982

187

**JOHANNESBURG. — Striking workers at the Bata shoe company in Kwazulu last week decided to end their month-old strike and to return to work.**

More than 500 workers at the Canadian subsidary went on strike over demands for higher wages

Because the firm is in Kwazulu it is not bound by minimum wage levels agreed upon in South Africa

According to a spokesman for the Fosatu-affiliated National Union of Textile Workers, which represents many of the workers, the strike was ended because workers felt they had been 'betrayed' by a homeland labour official

## Mediate

The official had been appointed to mediate in the dispute, but workers claimed he had only held talks with management and 'strike-breakers' — those who had returned to work

The union would continue to make representations overseas to the International Labour Organisation and the Canadian government over the subject of wages at Bata, the spokesman added

## Interests

Representation would also be made to the Kwazulu government to ascertain whether it felt its official was acting in the best interests of the homeland workers

# Shoe factory workers return

Mercury 16/4/82

187

**Mercury Reporter**

STRIKING KwaZulu Shoe Company workers are steadily returning to work following a month-long stoppage at the Loskop factory near Estcourt, Dr Frank Mdlalose, KwaZulu's Minister of the Interior said yesterday

This 'border' industry has been struck by work stoppages twice this year as workers downed tools demanding the recognition of the Fosatu-affiliated National Union of Textile Workers (NUTW)

Mr Obed Zuma, the general secretary of NUTW said 'At a meeting of striking workers and union officials on Wednesday, workers decided to return to work.'

## Deadlock

Following a deadlock during this recent work stoppage which began on March 12, Dr Mdlalose, sent the department's chief labour officer, Mr Z A Khanyile to mediate in the dispute

Dr Mdlalose said at a meeting between worker representatives, Mr Khanyile and management, the company had agreed to re-hire workers on a staggered basis

He said 'Management had said because of the stoppages they had to cancel a number of orders and would not be able to take on the full compliment of workers immediately'

'But they would take on a certain number of workers each week and expected to be back to full production in June'

Chopper crash

9/20

# Canadian interest in KwaZulu labour row

Mercury Reporter

CANADIAN trade unions showed 'considerable interest' in the Fosatu-affiliated National Union of Textile Workers' labour problems with the KwaZulu Shoe Company, a subsidiary of the Canadian-based multinational Bata, Mr Alec Erwin, union organiser, said yesterday

He said this on his return from the Canadian Labour Congress held in Winnipeg.

Mr Erwin said he had discussed with Canadian unions the recognition dispute that the local union was having with the KwaZulu Shoe Company in Loskop which sparked off two strikes by the entire workforce earlier this year — one stoppage lasting for nearly a month

He said the congress' international affairs director, Mr John Harker, had alredy raised the issue with the Canadian Government.

Mercury 11/6/82

187

# Shoe industry 'on the line' — MCI chief

(187) E-Post 16/6/82

**Business Editor**

THE footwear and other industries were standing on the dividing line between the past and the future of South African labour relations, the president of the Midland Chamber of Industries, Mr Peter van der Merwe, said at the annual dinner of the Footwear Manufacturers Federation in Port Elizabeth

"When our Government created legislation to give effect to the recommendations of the Wiehahn Commission, it released forces that are bringing about a new industrial relations environment — one that will contain a number of areas where the workers themselves will become an ever-increasing reality in business," he said

"A leading force in this changing environment is the role being played by the emergent black trade unions"

He said there would be emphasis on change and social reform and, because black workers would be a leading force in the clamour for change, management and employers would have to manage the bulk of the adjustments that brought change

Mr Van der Merwe said managers must ask themselves if they knew what their workers' perception of the management role was, and if the workforce knew what the management expected from it.

"Management always has a problem in managing effectively when it is unable to predict events or behaviour with any measure of certainty," he said

"This will be particularly true if it is unaware of its workers' attitudes on such issues as punctuality, overtime and productivity

"Attitudes are directly linked to a society's system of values

"What I am trying to convey is that if the value systems of management are the opposite of the values adopted by its workers, there will be a conflict of interests which could lead to confrontation and work stoppages

"For instance, management may have the rewarding of shareholders as a major item in its value system

"If the workers do not hold that item in their set of values, then the need for a return on capital will not be accepted as an argument for greater productivity

"It is a matter of urgency that you and your workers establish a common value system over a wide variety of subjects, so that when you talk to each other you know each other's norms that form the basis for the decisions to be taken," said Mr Van der Merwe

He added that managers also had to understand the Press, and that it was no use saying "No comment" when approached, because managers had to realise they were not living in isolation

Giant shoe company faces world action because of alleged primitive labour conditions at tiny KwaZulu factory

# BATA GET THE BOOT

~~108~~ ~~71~~ 187 ~~404~~

S. Tribune 10/10/82

**By STAN MAHER in Durban and PETER WARD in Ottawa**

A CANADIAN shoe company may face an international boycott aimed at cutting its sales, because of reports of poor wages, primitive labour practices and the suppression of union activity in its KwaZulu factory.

Jonathan Copelyn, an organiser for the National Union of Textile Workers (NUTW), claimed yesterday the world-wide boycott move against the Bata Shoe Company was a direct result of the local firm's attempts to prevent its workers belonging to a trade union.

The NUTW reported the KwaZulu company's labour practices to the International Textile, Garment and Leather Workers' Federation, which is based in Brussels and has five million members

The Federation has now enlisted the support of the powerful Canadian Labour Congress, which in turn has asked the Canadian Government to toughen up its voluntary code of conduct for Canadian firms operating in South Africa.

A spokesman for the Canadian External Affairs Ministry said in Ottawa that an investigation by the embassy in Pretoria had substantiated some of the union charges

The result is that the giant company, which has 100 factories employing 85 000 workers around the world, now faces international action because of alleged malpractices in a tiny plant at Loskop, near Estcourt.

The international federation has accussed Bata of profiting from apartheid and of paying sub-standard wages. The NUTW report, drawn up in March, said some workers earned take-home pay of R14 a week

This was in spite of the fact that the shoe company enjoyed all the benefits of a homeland industry established in line with the Government's incentives scheme to provide work in rural areas

A sample survey showed almost 86 percent of those interviewed earned less than R116 a month, at a time when the minimum subsistence level for a household in a city area was R236 a month. The NUTW says rural living costs may be even higher than city living costs because of the lack of cheap shops.

Copelyn said the union wrote to the company management in February this year asking for a meeting, because most of the workers had joined the union

"The management has consistently refused to meet us," he said

The union claimed the company paid wages which were only a third of the rates recommended by the Canadian Government and would not increase it "to a standard capable of sustaining human life"

Workers' grievances, alleged the union, included claims that·

- They were forced to work overtime without pay,
- They were made to work through their lunch breaks without pay, as a punishment,
- They were repeatedly warned not to join the union or attend meetings called by union organisers.
- Some workers were assaulted by supervisors

All the information was sent to Charles Ford, head of the international federation, who passed it on to the Canadian Labour Congress.

Copelyn said this week it was clear the KwaZulu Shoe Company had been set up in an isolated rural area to "profit from apartheid".

He said two-thirds of the workers had been retrenched, leaving about 300 workers who were now on short-time. Rumours that the factory might close were given credence by the closure of a nearby plant making shoe laces, which had been linked to the shoe factory.

"We have not made a single wage demand, but the management will not even meet with us," he said. "It is clear they are not prepared to recognise a union"

The Canadian Embassy in Pretoria declined to comment

A spokesman for the KwaZulu Shoe Company would not discuss the union allegations in detail He spoke in glowing terms of the factory's "first-class cafeteria and spotless washroom"

He denied the company paid sub-standard wages, but gave no details.

NM 15/10/88

# Bata chief told 'end ill treatment'

Labour Reporter

THE Australian Boot Trade Employees' Federation has called on Mr T J Bata, head of the giant multinational shoe company based in Canada, to 'eradicate' the mistreatment of workers by Bata's subsidiary, the KwaZulu Shoe Company.

It has warned that 'the continuance of treating workers in this manner' could lead to 'further action' against the Bata organisation by the Australian federation

This move follows a dispute between the National Union of Textile Workers and the KwaZulu Shoe Company at Loskop near Estcourt Bata holds two thirds of the shares in the company and the other third is held by the Government-funded Corporation for Economic Developmment.

The textile union has claimed that workers were forced to work overtime without pay, that they were forced to work through their lunch-hours as punishment, that workers were assaulted by supervisors and that they were warned not to join the union.

In his letter to Mr Bata, the federal secretary of the Australian union, Mr S Bitmead, said 'we are deeply alarmed to read of the treatment being handed out by management of the Loskop company'

'We must join with all other affiliates of the International Textile Garment and Leather Workers' Federation in condemning your organisation for allowing such treatment of workers to take place,' he said

Mr Bitmead added that the federation's association with Bata in Australia had always been 'extremely cordial' and that it would not want to see this association 'endangered' by 'continued action such as that taken by the KwaZulu Shoe Company'

Yesterday the Bata head office at Pinetown told the Mercury no one was available for comment.

FM 22|10|82

# FEELING THE PINCH

(187)

SA footwear retailers are squaring up to local manufacturers who want an increase in import tariffs on footwear

Retailers and the Republic of China (RoC), the main exporter to this country, have lodged objections with the Board of Trade and Industries (BTI) to the applications for higher duties

The application requests that the existing 30% ad valorum duty on jogger shoes (30c-80c/pair, depending on size and type) be increased to 300c/pair less 70% of fob value

Manufacturers also want legislation to make it obligatory for all footwear sold in SA to show country of origin "The consumer is not aware of the country of manufacture and this does not contribute to the Buy SA campaign," says Footwear Manufacturers' Federation of SA (FMF) national president Sam Davidson

"It is only natural in a recessionary time to seek protection against imports flooding the market," he says "We provide employment for 30 000 people and could take on many more if we were assured of equal opportunities to compete"

But the retailers say higher duties will decrease the range available to consumers And as SA could not produce as cheaply, some poorer consumers would not be able to afford shoes at all

RoC commercial attaché Michael Wei says "Some SA footwear manufacturers do not plan ahead When they cannot survive a recession they pass the responsibility to the government The poor suffer because of business's bad judgment"

He says local production of cheap shoes is a bad allocation of resources SA manufacturers should rather produce and export more top quality leather footwear

In 1981, 20m pairs were imported, a growth of 7m pairs on the previous year In this period, SA manufacturers produced 62m pairs Most imports are slippers, sandals and other cheap shoes from RoC, Hong Kong and Korea Canvas shoe imports increased from 3m p in 1980 to 5m p in 1981 And from January to July this year, 348 000 p of slippers were imported compared to 287 000 pairs for the whole of 1981

Imports of good-quality footwear from Brazil and Spain are making matters worse for manufacturers

Imports of leather shoes grew from 332 000 pairs in the first six months of 1981, to 465 000 pairs in the same period this year

Some imports have already come under official scrutiny One of the latest is lace-up canvas shoes Following BTI studies and recommendations, government introduced a provisional anti-dumping duty of 60% in September, in addition to the existing duty of 30%

Government will give its final decision on whether this is to remain in force in December

# ·e looms le ıarket

Str 235 23/10/82

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The biggest user of the equipment is the South African Transport Services which uses it in marshalling yards, on track and pipeline maintenance work and for harbour control operations

Another technological venture by the PO is its Motorphone, a sophisticated country-wide system to be inaugurated in 1985 It already exists in a small way on the Witwatersrand and has about 500 subscribers

The system will offer a push-button in-car telephone, from where the subscriber can make and receive local, trunk and international calls

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...ences in in- ...tween coun- small, their ...elative compe- is more likely swamped by ...' factors af- balance of performance such circum- ... comparison ...es in infla- make a much smaller contribution in explaining actual exchange rate movements

"In South Africa's case however, the inflation differential has clearly been sufficiently adverse to cause a continuous downward drift in the effective rand exchange rate against most major industrial countries

The probability, however, was that the rand would strengthen in the immediate future because of a weakening dollar and the improved gold price

## Business diary

October 25 to 29 Advanced training management course by Deltak's education services division at Safari Hotel, Rustenburg Course leader is Mr Carlos Atalay, Deltak's staff manager in Chicago

October 26 Seminar organised by Computer Sciences on McCormack and Dodge's general ledger, accounts payable and purchase order packages at Landdrost Hotel, Johannesburg

October 27 Southern Africa Road Federation annual meeting and conference Dr Piet Koornhof, Minister of Co-operation and Development, is the guest speaker At the Wanderers Club, Johannesburg

October 27 to 29 Annual conference of the Operations Research Society of SA at Wigwam Hotel, Rustenburg.

October 28 Conference on the future pattern of capital spending in South Africa at Mintek, 200 Hans Strydom Drive, Randburg Speakers from commerce, industry and the public corporations will deliver papers Organised by the Techno Economic Society of SA

October 29. Seminar presented by Whitehead Morris on non-traditional practical approaches to meet the critical situations of sales managers and directors At Rosebank Hotel

# Footwear industry hit by imports

Star 25/10/82 (187)

Financial Staff

Increasing footwear imports are disrupting the local manufacturing industry and all signs point to a negative growth rate in this sector this year, compared with growth in real terms of 9,3 percent in 1981 a meeting in Johannesburg has been told.

In the half year to June, the industry produced a million fewer pairs than in the same period last year

Imports of leather-soled footwear increased by 80 percent and the canvas-type by 100 percent last year. In an effort to stop dumping, the Board of Trade recently imposed a provisional charge of 60 percent on imports of lace-up canvas footwear This is on top of the normal 30 percent import duty.

Slipper imports have increased by 200 percent since 1979, resulting in a negative growth rate in local slipper production each year since then

### SALES GROWTH

Mr S A M Davidson, national president of the Footwear Manufacturers' Federation of SA, told a meeting of his management committee that retail sales had, in comparison with production, grown by more than 12 percent in the first half of the year

The industry was seeking protection against imports flooding the market at prices which were less than local basic material costs of similar footwear

## SHOE IMPORTS

# Chinese puzzle

FM 5|11|82 (187)

The gloves are off in the battle between SA footwear manufacturers and Republic of China (RoC) exporters

RoC commercial attaché Michael Wei claims SA manufacturers gave the Board of Trade and Industries (BTI) what he describes as "false information" which led to the imposition of a provisional anti-dumping duty of 60% on lace-up canvas shoes, in addition to the existing duty of 30%

Many SA retailers agree with Wei that the RoC is not dumping The National Shoe Retailers Association met with the BTI yesterday and is determined to get the provisional anti-dumping duty lifted

"If we can show that the price of RoC imported goods is higher in SA than on their domestic market, we will have proved our point," says a retailer "But while we are convinced that accusations of dumping are just a big con by the manufacturers, we don't know what the outcome will be"

Retailers and manufacturers are meeting next week to discuss the matter in what many believe will be a heated confrontation

Manufacturers are adamant that dumping is taking place and say they cannot compete as SA raw materials cost more than double present world prices

The three RoC companies accused of dumping are Rapie Industries, People International and Cosa Lieberman Taiwan

Wei says that, according to the RoC trade and customs departments, Rapie Industries has never once exported to SA, People International has sent only one shipment (worth US$3 400) and Cosa Lieberman Taiwan sent shipments totalling US$92 047 in 1981, with no proof of dumping

Footwear Manufacturers Association of SA president Sam Davidson says "Dumping is selling exports at below the home market price. We received evidence and put it to the BTI Our report was confidential so I can't reveal our evidence But the BTI is the arbiter and it was up to RoC to put forward its views"

The BTI has still to decide whether or not to recommend that the additional 60% tariff be permanent

A spokesman says "We are aware of this information and are investigating the matter We have not yet confirmed it, but our findings will be passed on to the department"

FLT-LT RAWLINGS

# Workers to be laid off in King

KING WILLIAM'S TOWN — Between 50 and 60 employees at Border Footwear here will be laid off before the end of the year

This was confirmed yesterday by the company's general manager, Mr E Kynaston

Mr Kynaston said the retrenchments involved about 20 per cent of Border Footwear staff

He said the present state of the economy was a major factor in the company's decision to lay off the workers

"They will be retrenched under normal conditions," he said

Border Footwear is the second King William's Town industry to announce retrenchments before the end of the year

The Da Gama textile company announced recently that it will be laying off 1 165 employees from its mill here after December 10

The retrenchments have resulted in the Borough Council and Kaffrarian Chamber of Commerce sending telegrams to the Decentralisation Board, Industrial Development Corporation and Minister of Industries, Commerce and Tourism, Dr Dawie de Villiers — DDR

Sowetan 29/11/82

(137)

# Border town retrenches 60 workers

BORDER Footwear is to retrench 60 employees — about 20 percent of the workforce — next month.

The workers to be retrenched — both monthly and weekly paid — would receive — normal retirement benefits.

Mr Kynaston, general manager, said the decrease in the demand of products has necessitated the closing of the injection moulding department here and this would be moved to the Port Elizabeth branch.

The King William's Town,plant would continue cutting and assembling the upper section of footwear. This section was more labour intensive than the injection moulding process where machinery was used mainly to fix the soles to the upper sections.

Mr Kynaston said the Leather Worker's Union, which represented the workers, had been fully informed of the retrenchments. He did not anticipate problems, he said.

Border Footwear is the second King William's Town firm to announce retrenchment during the past fortnight.

# 'Hard times' caused sacking

Mercury 28/1/83

187

Pietermaritzburg Bureau

HARD times have been blamed for the retrenchment of more than 250 workers of all races by a city shoe factory over the past two weeks.

The managing director of Dick Whittington Shoes, Mr Graham Crouch, told the Mercury yesterday that no further lay-offs were expected after the latest batch of 63 at the company's Victoria Road plant.

This brought the redundancies to more than a fifth of all employees.

Mr Crouch said 1982 had been an exceptionally good year for the company, with a lot of over time being worked, but the state of the economy had taken its toll on sales.

D. Dispatch (187) VPB

# Border firm changes scope —112 lose jobs

By TOM LOUW
Business Editor

EAST LONDON — Border Footwear (Pty) Limited of King William's Town is to be changed in scope and part of its operation is to be transferred to Port Elizabeth

The immediate effect will be the retrenchment in the next month of 112 people out of the staff of 248

A company statement says over the next few months the capital-intensive shoe-making operations at King will be merged with the holding company's Edworks plant in Port Elizabeth

The remaining labour-intensive cutting and stitching plant will continue operating at King William's Town, and will gradually be expanded, creating more work in time to come in the Border area

The company says this move is in the nature of a logical rationalisation with the aim of making both plants more efficient and more profitable

An important motivating factor has been the continuing high level of imports from the Far East, which compete directly with Border Footwear in their target market

The company adds "We reiterate that although we intend to expand the activities in King William's Town in the future, it will in the meantime cause a retrenchment in the next month of 112 persons of the existing staff of 248 However, additional jobs will be created in Port Elizabeth

"The Border Footwear company's product range will be strengthened Their marketing thrust will be directed from Port Elizabeth under Mr. C R Horne, the production director of Edworks"

# KwaZulu loses factory

Mercury 18/3/83

African Affairs Correspondent

ULUNDI—The General Electric factory at Isithebe is to close at the end of May and 90 blacks will lose their jobs.

This announcement was made in the KwaZulu Legislative Assembly yesterday by the Minister of the Interior, Dr Frank Mdlalose

Dr Mdlalose said he had been told by Mr R C Bullen-Smith, deputy managing director of General Electric in South Africa, that the company could not compete against similar products being imported from Canada and the United States

The minister said that the people concerned stood little chance of being re-employed

Dr Mdlalose said that those workers who had been employed by the company for a year would be paid out for six weeks at the end of May

Those employees who had been with the company since it was established at Isithebe in 1975 would be paid up to 16 weeks' salary when they were retrenched

E. Post
19/5/83

# British United head retires

Mr DALTON LE GRANGE, chairman and managing director of PE-based British United Shoe Machinery (South Africa) (Pty) Ltd, has retired after 48 years' service

Mr John Begg, formerly with the parent company's Leicester operation, is to succeed Mr Le Grange in Port Elizabeth

The BUSM operation is a subsidiary of the Emhart Corporation of Hartford, Connecticut, whose machinery group has been restructured into two groups, namely the shoe machinery group (SMG) and the footwear materials group (FMG)

This reorganisation is designed to give more impetus to the product lines, with the objective of improved products and service to the customer

Mr John Begg is director of the SMG unit, and Mr Pieter Schoombee director of the FMG unit

Several other new appointments have been made Mr Robert Morris, who has been general manager, fastener division, and Cape Town branch manager, has been appointed manager, shoe machinery and Mr Clive Brunette, Johannesburg branch manager, will be manager, press cutting and general machinery

At last night's annual dinner of the Footwear Manufacturers Federation of South Africa were, from the left, Mr SAM DAVIDSON, president of the federation; Mr IVAN KRIGE, Deputy Mayor of Port Elizabeth; Mr BARNIE MANCHEVSKY and Mr GUY DOWNES, past presidents of the federation; Mr STAN ANDERSON, the guest speaker; and Mr DONALD GOUGH, also a past president of the federation.

# Businessmen have duty to black staff

E. Post 15/6/83

187 E. Post 15/6/83

By LOUIS BECKERLING
Business Editor

**Mr Stan Anderson, of Maybaker, expressed concern last night that while 50% of SA's pre-war footwear production originated in PE, this had since dwindled to 15% (some 71% now being manufactured in Natal).**

**"I am worried that other industries, such as the motor industry, could be following footwear's lead.**

**"Perhaps the most significant problem is the fact that imports of footwear in the last 30 years have increased from 10% to 34% and the motor industry is being similarly threatened, despite its local content programme."**

PORT ELIZABETH businessmen have no alternative but to contribute to the urgent need for improved housing, education and social services for their black workers

This was the gist of a blunt message delivered last night by Mr Stan Anderson, chief executive of Maybaker (Pty) Ltd, and former president of the Midland Chamber of Industries

Addressing the annual dinner at St George's Club of the Footwear Manufacturers' Federation of South Africa, Mr Anderson issued an appeal to fellow Port Elizabeth industrialists and businessmen to accept that their consciences no longer ceased to function at their factory doors

Several factors had, since the late '50s, altered this situation, said Mr Anderson These included

- The disparity between the quality of life of South Africa's black and white communities
- The heavy influence of multi-national companies in the PE area had introduced strong forces for change
- Politically-motivated economic influences introduced by the SA Government itself
- The public sector's acknowledgement that it "had failed dismally in its attempt to house the people"

Elaborating on the issue of politically-motivated economic influences from the Government, Mr Anderson said rebates, concessions and sanctions imposed for anything other than sound economic reasons would not succeed

"Industrialists are reluctant to make heavy capital investments in premises or plant where by a stroke of a pen the advantages apparent in the location they have chosen are suddenly bettered in an attempt by the Government to create some new politically-inspired nearby growth-point "

Mr Anderson was also critical of the building society movement which, he said, had been "notably reluctant" to accept the challenge of black housing needs

"They plead that they have not the resources, either financial or infrastructural, to cope with the multitude of small loans that could result

"Unfortunately, like we industrialists, I do not believe they have an option to opt out and it is the industrialists' responsibility to make sure that by co-ordinated effort they are made to understand that we regard them as the avenue through which the financing of the private sectors' housing effort will be channelled "

Mr Anderson spoke at length on the question of education and said he was appalled by the disclosure that in 1979 no less than 80,8% of black teachers in the Eastern Cape had done only one — or perhaps two — year's training after leaving school at Std 8, 7, or 6 level

"In the technical field in 1979 only 2,6% of pupils were engaged in technical classes — an increase of only 1,3% over the previous year, a year in which conventional matriculants increased by 49,3% "

Mr Anderson said that six years ago only seven remotely qualified mathematics teachers were available to pupils in the 51 schools operating for blacks in Port Elizabeth

"Since then a large number of maths and science teachers have been sponsored by the Midland Chamber of Industries through an arrangement with the Urban Foundation and hopefully the standard of education will gradually improve "

Industrialists now had the opportunity of "adopting" a school and assisting in establishing such things as playing fields, said Mr Aanderson

"While the businessman's job becomes more taxing I am afraid he has no alternative but to exercise his social conscience in these new areas of responsibility as well '

# ; market in ıuge deals

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should be given Congressional approval to buy two Danish-built Cunard vessels to operate under the American flag for cruises between American ports

And this is where the international intrigue begins Supporters say US shipyards cannot provide an economically viable cruise ship and that the American merchant marine is woefully short of vessels that could be used as troop-carriers

Opponents say American yards can produce the vessels and America needs a sound shipbuilding capability

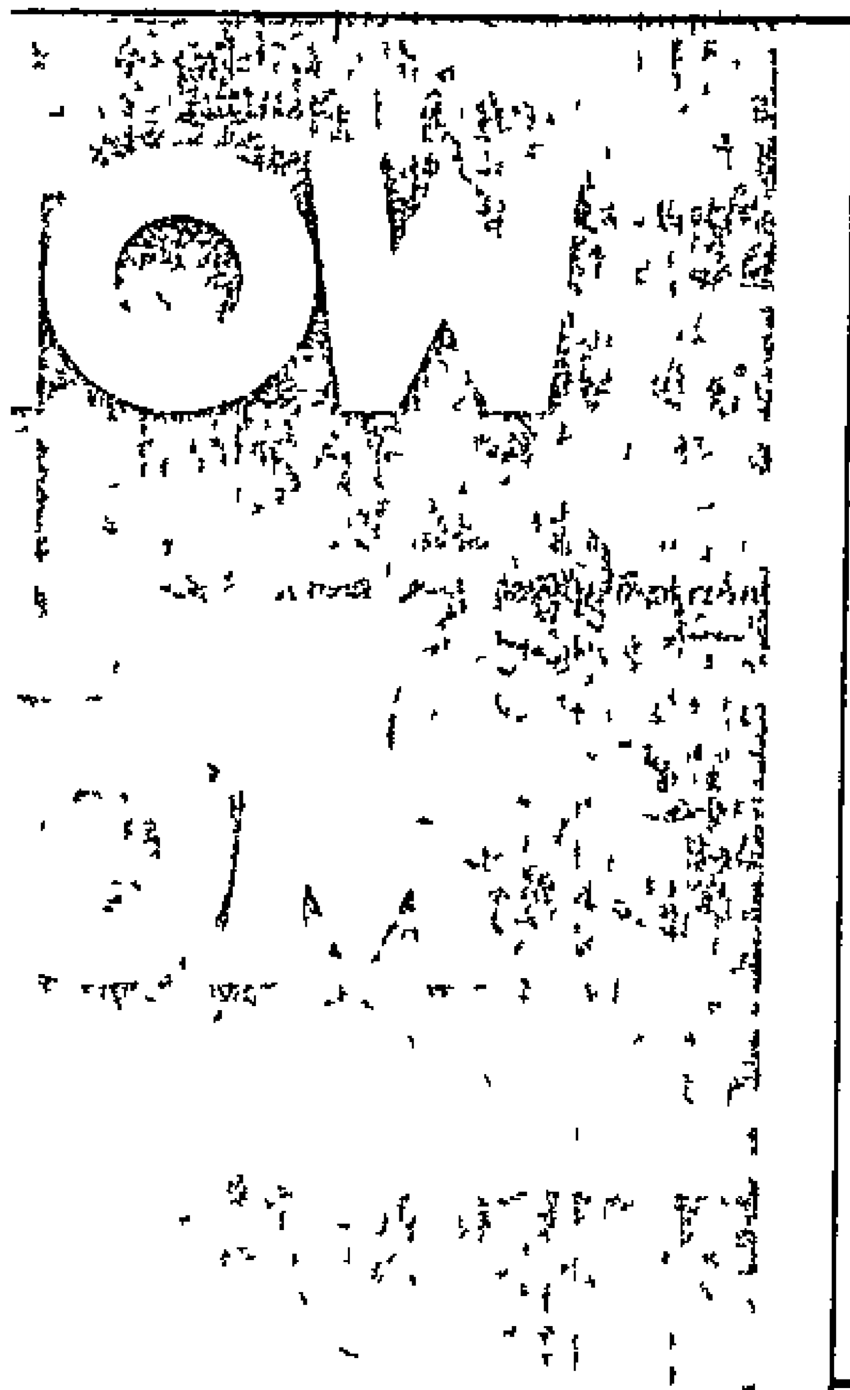
Opposition also comes from Britain's National Union of Seamen which sees its members losing their jobs on the Cunard ships

Holland-America Line, which makes most of its money from the North American cruise market, sees itself threatened

With the exception of the Bahamas, all the countries involved in these various deals are members of Nato

All see their merchant fleets as essential tools for defence

In the Falklands war both Cunard and P & O provided troop-carrying ships from their cruise fleets.



# Footwear industry faces low demand and high imports

187 Star 28/6/83

**By Stan Kennedy**

Footwear imports by South Africa last year were 17 million pairs or 23,8 percent of local sales — about 65 million pairs

This was a 17,3 percent drop from the record 20 million pairs imported in 1981 (24,2 percent of total sales)

Certain types of footwear were particularly badly affected during the year. Slipper imports rose 70 percent in quantity and 120 percent in value, and leather outer-soled footwear by 12,5 percent in quantity and 46 percent in value.

In the annual report of the Footwear Manufacturers' Federation of SA, the president, Mr S A M Davidson, said these sections of the industry felt the effects of disruptive competition and were awaiting the decision of the Board of Trade and Industries on protection

Imports from Far Eastern countries, in particular, continued to disrupt local production. More than 70 percent of all imports last year came from Hong Kong, Korea and Taiwan, with Taiwan's share being more than 9,5 million pairs or 56 percent

Mr Davidson said the latest statistics indicated that the tremendous increase in imports since 1980 might now have been halted

Imports had risen from about 2,5 million pairs in 1940 to 20 million in 1981, and last year's decrease was the first since 1977

Because of low demand for footwear, he estimated the number of workers dropped from 30 000 in June last year to 22 500 in April this year — a 25 percent decrease

"This came about, mainly, through firms adopting a policy of non-replacement of vacancies caused by natural wastage

"Overall, the industry has acted responsibly as can be seen in the fact that some manufacturers are working short time rather than retrenching staff."

The pressures to remain competitive despite the low demand and competition from imports, aggravated by increased prices for raw materials, were "very real".

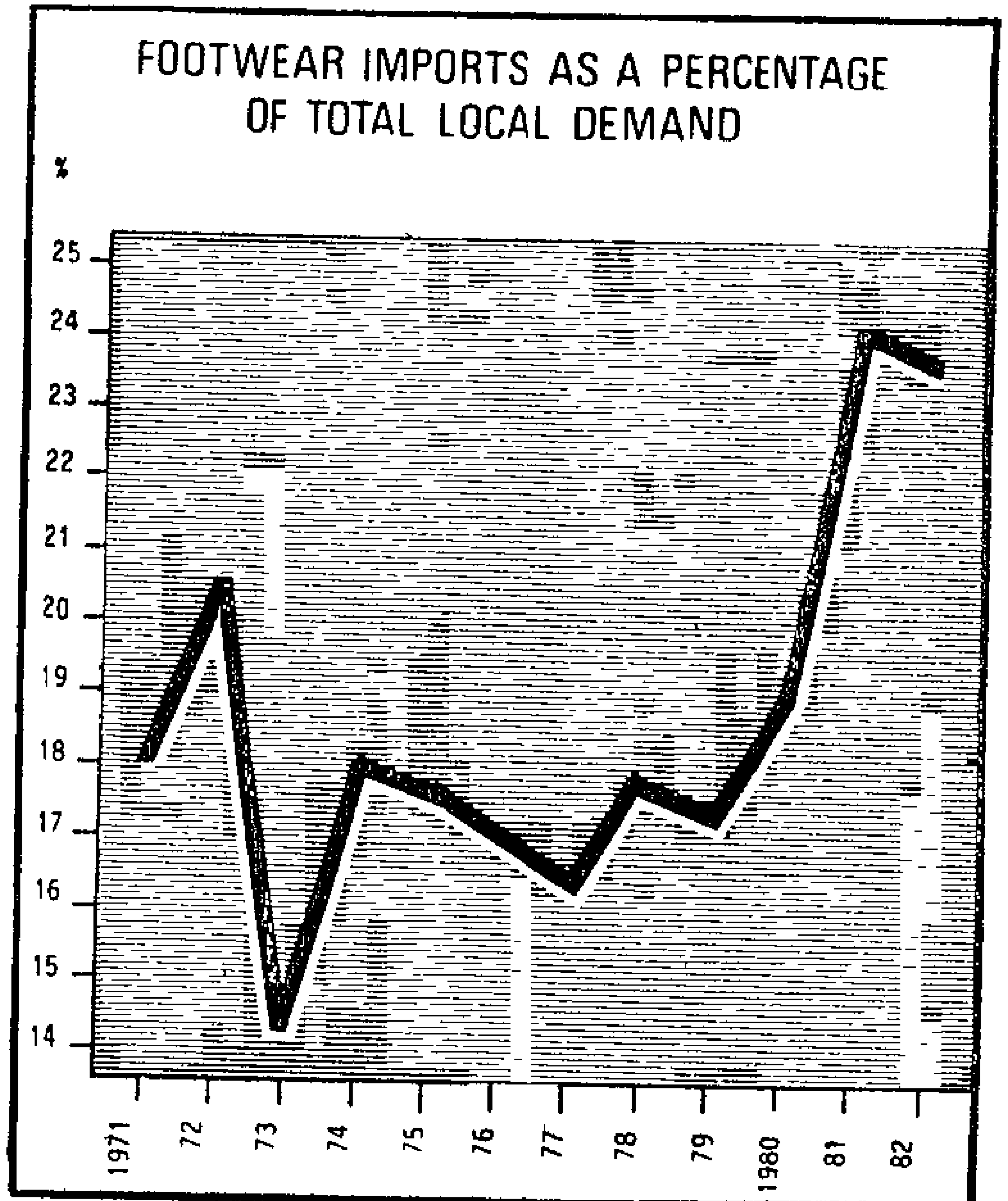
The industry's success was shown by the fact that the production price indices for footwear increased by only nine percent compared to the 14 percent rise for all manufactures

He foresaw no growth in the industry this year but that there would be a 10 percent increase next year

As a result of the drought and its effect on local tanners, who were complaining about the quality of hides, he predicted that in the medium-term prices would increase, raising leather costs

Productivity had risen 18 percent from 1975 to 1981, while workers' earnings went up 101 percent

"More emphasis should be placed on a national survey of training needs," Mr Davidson said






New R2-m factory for tent makers

(187)

# 60 retrenched at shoe plant

Times 13/9/83

**Labour Reporter**

ABOUT 60 workers from the recession-hit Vogue Shoe plant in Maitland have been retrenched in an attempt to streamline production at the plant

Mr Johan Burger, general manager of Vogue's sister company, Sports Shoe, said yesterday the lay-offs had become necessary because the women's fashion footwear market was depressed

He said business was still good in the sports shoe market

While some Vogue workers had been absorbed into the Sport Shoe operation, it had still been necessary to streamline production and retrench some 60 workers

# Top-dog Amrel gets ABC Shoe control

## Minority offer includes non-interest stock

187

21/10/83

By **PATRICK McLOUGHLIN**
**Investment Editor**

SOUTH African Breweries specialist retailing group, Amalgamated Retail, has reinforced its dominance in the R800m retail footwear industry with the acquisition of majority control of ABC Shoe Corporation.

Amrel said yesterday that the majority shareholders of ABC — the Manne and Green families and one or two other shareholders who together owned 72,2% of the issued capital — had agreed to the acquisition.

An offer will be made to ABC minorities in about two months Assuming they accept, the acquisition will cost Amrel R6,6m

Amrel is offering ABC shareholders alternative payment For every 100 shares held they can take R180 in cash, or R200 in R100 cash and R100 from non-interest bearing unsecured Amrel loan stock

The loan stock will be redeemed in two tranches — 50% a year after issue date and the balance two years after the issue date

A spokesman for Amrel says it is believed that this will be the first time that non-interest bearing loan stock is listed on the JSE

A shareholders' meeting to approve the deal will be held in January. After the takeover is ratified the majority shareholders will pocket about R4,8m iun terms of the cash option

Amrel, which will deliver its interim results in a fortnight, has about 10% of the highly diversified retail footwear market and the acquisition will add another 2,5%

Negotiations are at an advanced stage for the cash sale of ABC's wholesale business, Flex-more, to the Shiffer family Negotiations are also taking place to sell the small footware plant, Studio Shoes.

Union Acceptances, which is handling the deal, said the acquisition was not expected to have any immediate material effect on the earnings or net asset value of an Amrel share, but was expected to benefit Amrel in the medium term

The position of the holders of the 12,7% unsecured debentures 1989/1993 would not be affected by the transaction. Amrel might, however, consider the position of debenture holders in the future

Yesterday's announcement followed the suspension of ABC on the JSE at 185c On the cash option, Amrel is paying 180c, but the suspension price followed market rumours and the cash option is at an 11% premium to the book value of ABC shares in the 1983 accounts of 161,8c

Market opinion is that nearly all minority ABC shareholders will accept one of the two offers because of the poor performance of ABC for the year to January when earnings a share fell from 41,3c in 1982 to 11,6c and dividends were pared from 16c to 6c

Minorities will be encouraged to accept one of Amrel's offers when they see the dismal results for the six months to July 31 The interim figures, released yesterday, showed a fall in taxed profit after extraordinary itmes from R208 000 in the 1982 first half to R18 000 Earnings a share were -3,6c (5,7c) and the interim dividend was passed

A R149 000 extraordinary loss was caused by cancellation of leases and the closure of overseas operations.

The 83 outlets of ABC, which retails shoes, handbags and accessories and makes and wholesales footwear, will be absorbed by Amrel's footwear division This comprises Cuthberts, Barnes, Select-A-Shoe, Moda Belle, Scotts and Victor Value

Total sales for the division for the year to March were R103m Amrel's turnover was R342,134m

Amrel's executive chairman, Mr Ronnie Cohen, said the acquisition had the approval of the Competitions Board In line with Amrel's corporate "arm's length" philosophy, ABC would be run as a seperate chain and Amrel had no intention of closing any stores

"We see the acquisition of ABC as an excellent move for Amrel and are pleased the Competitions Board has cleared the acquisition"

ABC was a recovery prospect and he was confident the company would return to its previous profit levels in the next year or so

187

# R7,8m factory for Transkei

D. Dispatch 26.7.84

BUTTERWORTH — An international clothing giant is to start a R7,8 million operation here in two months' time

The Republic of China manufacturer, Lien Fu, which has a $50 million annual turnover in America, will launch the multi-million rand investment with the Transkei Development Corporation (TDC)

The TDC managing director, Mr Sonny Tarr, confirmed the deal which is the biggest in the country in the last five years

Mr Tarr said the project would create 2 000 jobs for Transkeians at a low cost of R4 500 per job

The company will also manufacture for the US market and will achieve sales of $15 million a year when the factory reaches full production

The Transkei undertaking, to be known as Bally (Pty) Ltd, will enjoy the services of American designers and a large marketing organisation in America

Mr Tarr said the R4 million factory would be constructed in stages at Ibeka here and the first stage was nearing completion

The major shareholder is Mr Robert Lee, who owns several other companies in Taiwan

He is the biggest single clothing exporter to the US

Mr Tarr said the major contact with Mr Lee was first made during a visit to Taiwan by the TDC development manager, Mr Pieter Bosch

"We are naturally very pleased with Bally's arrival in Transkei We are expecting more of this type of investment, especially the size, because our negotiating position through our incentives is such that we are dealing only with the top 100 companies in the Republic of China" — DDR

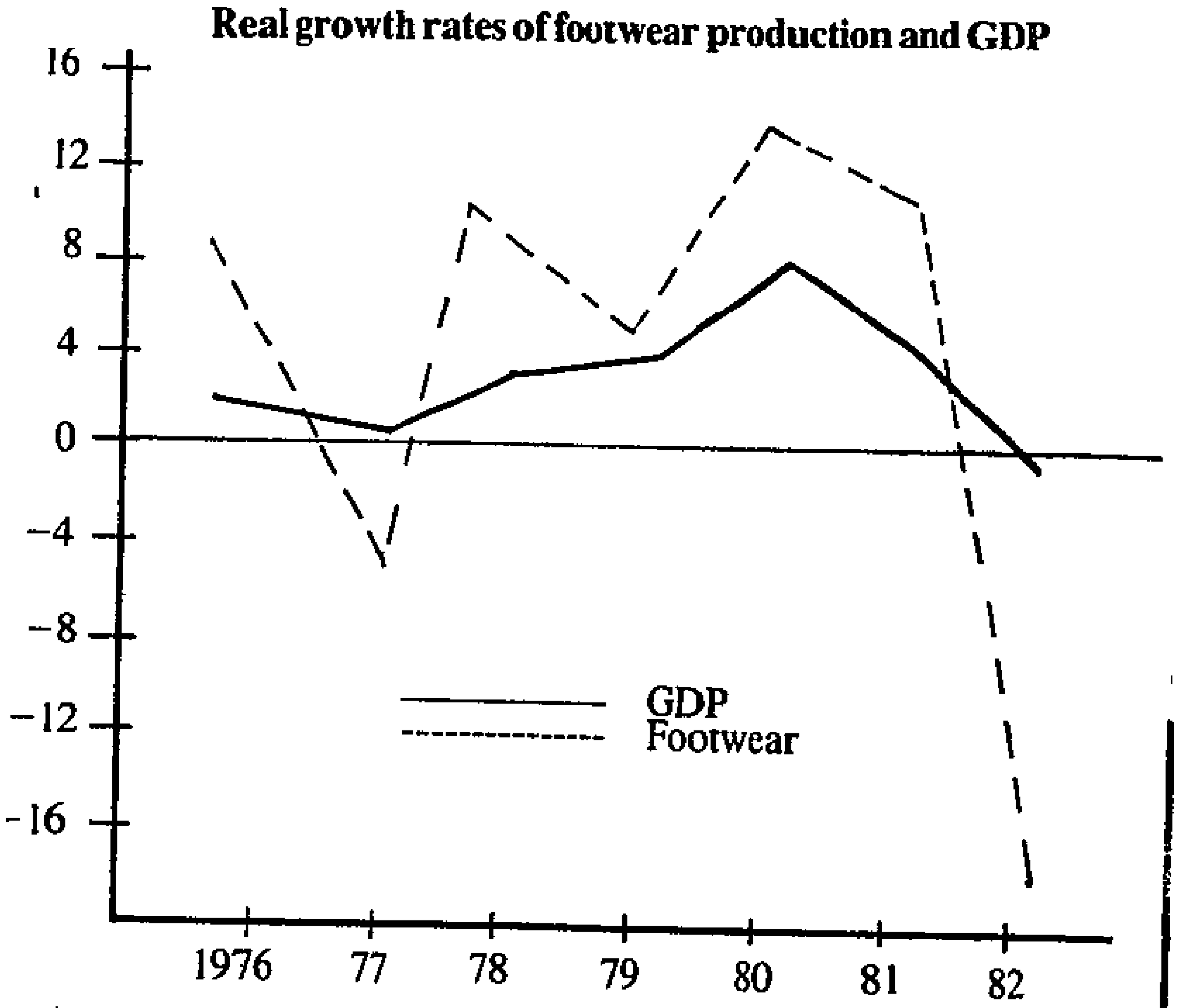
Business Day/INDUSTRY 7/2/84

# Shoemakers fight losing battle against imports

By MIKE JENSEN

SOUTH AFRICA's R600m a year footwear industry faces slow death unless it is granted increased tariff protection against imports, says the director of the Footwear Manufacturers' Federation, Mr Dennis Linde.

Real growth rates of footwear production and GDP




From the beginning of 1982 to the end of 1983 local production dropped 23%, he says, while imports steadily rose to 27% of market share.

Between 1980 and 1982 the FoB value of imported shoes almost doubled to R72m from R37m.

Without protection, and with conditions for local producers expected to deteriorate still further in 1984, Mr Linde says, the SA industry can only go the way of footwear manufacturers in the US, where 60% of shoes are now imported.

Overseas recession and the low cost of shoe production in the Far East appear to be the main reasons for the poor health of the SA industry.

Retailers prefer to stock imported brands from Taiwan, Korea and Hong Kong because they are cheap despite the on average 30% duty placed on them.

"The labour cost per shoe produced is far cheaper in these countries," says Mr Linde

"In addition foreign prices have been cut to the bone in an effort to combat the global decrease in shoe sales caused by recession. Now we just cannot compete"

Because of stiff overseas competition there has been only a 7,8% increase in the SA footwear production price index over 1983 while the index for the whole manufacturing sector increased 10,5%.

Profit margins are unattractive

In 1981 — the last year for which figures are available — the return on investment was 12,2% compared to an average manufacturing return of 18,69%

There is worse news to come for the footwear industry

The worldwide shortage of leather is growing and prices will be pushed up even further. In 1983 hide prices rose 70%

Demand for locally manufactured product is predicted to continue falling.

Manufacturing costs will increase further as retailers push up overtime wages by demanding "unreasonably short" lead times according to Mr Linde

Aside from better protection, Mr Linde says, a programme should be mounted to persuade consumers to give preference to products made in South Africa

"A 'Buy South African' policy would ensure the growth of our manufacturing industry and maintain employment stability"

Pretoria-based investment research group, Rand Investment Services, says the homeland development corporations have experienced strong interest from foreign investors who see the potential of establishing new footwear factories in the subsidised decentralisation zones

Relocation in these areas may offer existing manufacturers better profits

Rand Investments also point out that the black market is inadequately catered for.

Local manufacturers are not producing enough of the American-style top quality/high price shoes most popular with this population group

As black spending power takes off this could be a major growth area for SA manufacturers

FOOTWEAR INDUSTRY

# Hopping mad

187

FEATURE

**Footwear** manufacturers did anything but stick to their lasts at their annual meeting in Durban last week.

They berated government for the high level of footwear imports, which, they claimed, were threatening the very existence of the industry, castigated raw materials suppliers for sharply rising input prices and called on government to step up protection of the industry

The agm provided plenty of opportunity to air views, both official and unofficial But in spite of the heated debate at times, the industry seems to be losing its central argument — that it is in dire need of increased protectionism

Stripped to basics, the industry's main contention is that selective tariff protection just does not work It wants a return to quantitative controls which, it says, are far more effective at keeping imports out

Leading the industry's charge is Frank Moodie, MD of Shoe Corporation of Africa Since 1979, Moodie claimed, shoe imports to SA had risen from 10 495 000 pairs to 26 461 000 pairs — an increase of 152% Imports now constitute 31,1% of the total SA market, up from 17,3% in 1979 Last year alone, imports rose 41%, in spite of the weak rand.

Fleshing out his indictment of imports, Moodie asserted that this level of imports equated to the production of 15 SA factories producing 500 000 pairs of shoes/year The flip side to this was that not only were local manufacturers losing out on domestic sales, but some 5 250 South Africans had been deprived of employment

The problem, Moodie asserted, has become universal through the aggressive marketing of developing countries in the Far East and South America, particularly Taiwan and Brazil.

But where SA had defaulted, he contended, was in failing to follow the example of others in taking timeous action

Britain has recently imposed a restraint level of 9,9m pairs of Taiwanese shoes, France has a ceiling of 12,6m pairs and Ireland restricts imports from Taiwan to a mere 140 000 pairs In doing so, however, they are clearly contravening the restriction on quantitative controls contained in Article 11 of Gatt.

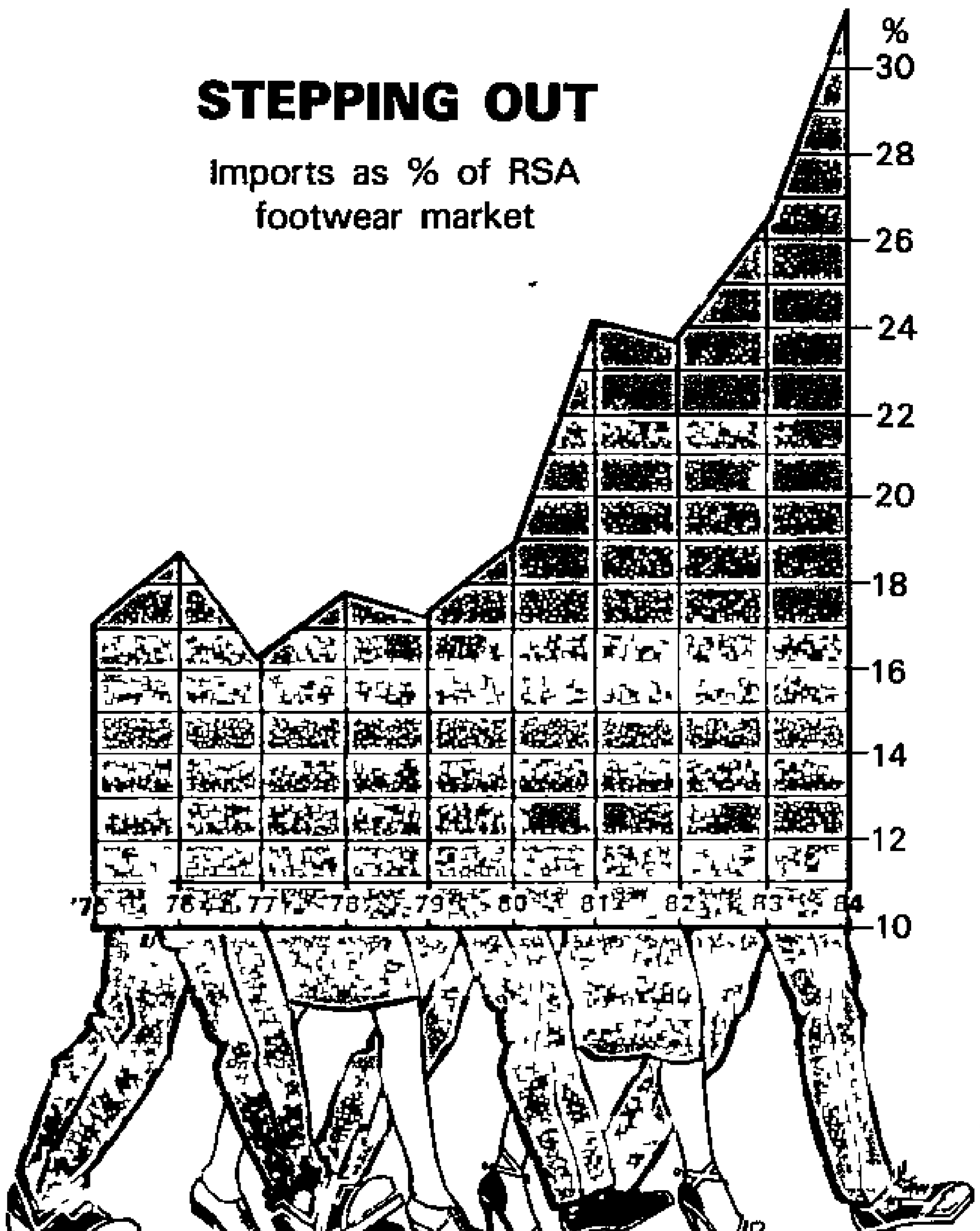
Shrugging off the tariff disadvantages, however, Taiwan remains far and away SA's major overseas supplier

Even the open US economy, Moodie avers, is now giving serious consideration to the reimposition of quantitative restrictions — but not before its shoe industry has been decimated by imports Imported shoes now constitute 75,7% of the US market, 507 plants have closed in recent years, unemployment in the industry has risen to 18,6% against a national average of 8%, and operating margins are down to about 2%

Moodie's thumbnail sketch of the US experience was an unusually grim picture of a country swamped by an avalanche of unwelcome imports

The implications for the SA industry are clear if the mighty US economy has been unable to withstand the onslaught of imports, how then is SA going to cope?

Moodie's suggestion is that while the present policy, deferring to the pressures of Gatt and SA's trading partners, was one of selective tariffs, "experience will show that quantitative restraint is the only effective mechanism"




**STEPPING OUT**

Imports as % of RSA footwear market

Source Footwear Manufacturers Federation

But Albie Myburgh, Trade and Industry's deputy director general, wasn't having any of it His retort "There is only one instrument of protection that will ensure industrial growth on a sound and equitable basis, and that is the customs tariff"

Quantitative controls, he charged, had served their purpose Since the Seventies the policy had been to move away from controls to tariffs Moreover, they had a downside they inhibited competition, encouraged monopolies and caused rigidities and higher price structures which harmed competitive ability both locally and on the export market.

Agree or disagree, it is clear that from now on the main thrust will remain towards tariffs

But, in the end, government has struck something of a compromise It has agreed to hold 1985 imports to the 1983 levels in value terms plus 20% Some industry sources feel this is still too high But in the absence of quantitative controls, Moodie sees it as a reasonable alternative He would like to see the policy entrenched, with perhaps an annual 10% adjustment in values "At least we could plan for the future with greater certainty," he says

On the other major beef, the rising cost of raw materials, government was a little more forthcoming But then the Footwear Manufacturers Federation probably has legitimate grounds for grievance.

Many of its raw materials are derivatives of the plastics and rubber industries, classified as "strategic" industries in SA Consequently prices are often double those available overseas — the price local manufacturers have to pay for keeping them in operation The upshot is that it erodes manufacturers' competitiveness on both the local and export markets

The price of synthetic rubber, for example, is now 45% higher than it was a year ago The cost of hides and skins has gone through the roof because of lucrative prices overseas, and there has been another increase in the price of PVC compound

What, asked one industry source, was government intending to do about it? Or did it expect the industry to capitulate and admit that it just could not compete in certain areas?

Board of Trade chairman Basie Kleu had a ready answer The cost of footwear, he pointed out, had increased a good deal more over the past 10 years than some inputs But he said if the industry really could not solve the problem itself, it should target the troublesome inputs and "make a case for exemptions and rebates on duties so that you can compete"

Welcome news, no doubt, for hard-pressed footwear manufacturers And so were the indications that the BoT was now ready to hear more argument on what constituted unfair trade and destructive competition The authorities' blinkered vision on this has long been in contention Government is clearly growing bolder Having won the economic argument on duties versus controls (there could, in reality, be no other outcome), it now seems ready to permit dissent of a different kind Kleu's parting shot said it all "We're open to debate" ■

# 700 walk out at shoe factory

(1873) 182

S. Post 17/2/84

PINETOWN — About 700 workers at the Bata shoe factory in Pinetown blocked the main route to New Germany today.

The unrest started when about 90 men in the company's rubber department demanded a pay increase and it was rejected.

They persuaded most of the labour force to down tools and join them outside the factory today.

After blocking the road they moved to a site near the factory.

They rejected pleas to return to their jobs while negotiations took place and booed management representatives.

The police were called, but said the situation was orderly and under control.

Senior management officials were not available for comment. — Sapa

# Striking workers block road

RDM 18/7/84

187

PINETOWN — About 700 workers at the Bata shoe factory in Pinetown blocked the main route between the town and New Germany yesterday

The unrest started when about 90 men in the company's rubber department demanded a pay increase and it was rejected

Then most of the labour force downed tools and joined the 90 outside the factory yesterday

After blocking the road they moved to a site near the factory

They rejected pleas to return to their jobs while negotiations took place

Police later said the situation was orderly

Senior management officials were not available for comment — Sapa

ARGUS 23/2/8

# Rioting workers injure three

Argus Correspondent

PINETOWN — Rioting Bata shoe factory workers here have injured three people and stoned cars in an attempt to prevent production continuing

Police used dogs to control the angry crowd of about 300 who were finally dispersed from the factory about 6 pm yesterday

An Indian member of the permanent staff was seriously injured when a brick, hurled from the crowd, smashed the window of a van.

Workers say the unrest started a week ago when about 90 men in the rubber department demanded a 25 percent increase

# Riots injure three people

Star 23/2/84

**Own Correspondent**

PINETOWN — Rioting Bata shoe factory workers here last night injured three people and stoned motor cars in an attempt to prevent production

Two temporary workers, Mr P Mkize and Mr Z Ndlovu, were stoned and beaten An unidentified Indian member of the permanent staff was seriously injured by a brick hurled from the crowd

Police used dogs to disperse the angry crowd of 300 from the Manchester Road factory

# Violence at shoe factory

RDM 24/2/84 187

**Labour Correspondent**

VIOLENCE has erupted at the Canadian-owned Bata shoe company's Pinetown plant, which has a workforce of more 1 500 and where workers have been on strike for the past week

According to police and the company, strikers used sticks and stones late on Tuesday afternoon to attack temporary workers at the plant Three people were injured and passing cars were also attacked, they said

Worker sources said a woman worker had been shot on Tuesday by a company security guard and was now in hospital The SA Allied Workers Union also claims that police attacked workers

A company statement confirmed that a security guard had fired shots at an "unruly mob" which, it alleged, had thrown stones at him, but said he only shot into the air

The strike at Bata began last Thursday when workers in a department organised by the SA Allied Workers Union downed tools

According to worker sources, other departments stopped work the next day

SAAWU's general secretary, Mr Sam Kikine, said workers were striking in support of demands for wage talks and were also demanding that they be allowed to resign from the Tucsa union They were also protesting against the dismissal of two colleagues, he said

Bata, Mr Kikine charged, had rebuffed all attempts by SAAWU and a worker committee at the plant to negotiate with it and workers had been told they would be fired if they were not back at work by Monday

Bata said workers had been on an 'illegal strike" and alleged that many wanted to work but were being prevented by a "group of militant strikers"

On Tuesday afternoon, it said, 15 to 20 people attacked two casual workers who were leaving the premises Two security officers went to investigate and were stoned by the crowd One fired five warning shots into the air

Mercury 24/12/84

187

# 1 000 strikers face dismissal

Mercury Reporter

**NEARLY 1 000 striking workers at the Bata shoe factory in Pinetown have been given an ultimatum to return to work today or face dismissal, according to workers.**

The work stoppage entered its sixth day yesterday following a refusal by the management to meet a demand by about 90 workers in the rubber department for a pay rise of 25 percent.

Workers from other departments downed tools in support of their colleagues' demand and now the issue has spread to union recognition.

According to a spokesman for the workers the management refuses to recognise the black-dominated South African Allied Workers' Union at the factory.

'They are only prepared to talk to the Tucsa-affiliated National Union of Leather Workers, which represents about 25 percent of the workforce,' he added.

## Stoning

On Wednesday evening, a black woman was shot and wounded after security guards at the factory opened fire when a riot broke out as home-going workers were attacked by a knobkierie-wielding mob. Two others were also injured.

In a statement to the Mercury yesterday, Mr S Finlayson, the company's managing director, said the company had been in an illegal strike situation since Thursday of last week.

'In spite of numerous attempts by many employees to return to work they have been prevented from doing so by a group of militant strikers.'

He said the situation worsened on Wednesday afternoon when a group began stoning vehicles leaving the company's premises after work.

At 4.45 p.m. a group of 15 to 20 people attacked and assaulted two casual workers who were leaving the premises using sticks, stones and large rocks.

## Threats

'Two of our security officers went to investigate the fracas and were themselves stoned by the unruly mob. One of these officers drew a pistol and fired five warning shots into the air.

'It is also known that an unidentified person not employed by the company fired two shots in an attempt to protect his property. Police are investigating.

'The company dissociates itself from the incident as it does not permit employees to carry weapons. The security guard had brought the weapon to work following threats on his life on Friday,' he said in the statement.

# Bata men to end strike

Mercury Reporter

STRIKING Bata shoe factory workers decided at a meeting yesterday to end their week-long strike and return to work on Monday

This decision was taken after an undertaking by the management to meet representatives of the workers soon after all the workers had returned to their jobs, Mr Welcome Ntshangase, a spokesman for the workers, said after the meeting in a Clermont church hall yesterday

He said the company had requested that all workers return yesterday, but the deadline was extended to Monday as most of the workers could not get the message in time

## Dealings

In a letter to workers, Mr D A Bell, the company's personnel and industrial relations manager, said 'The management had been advised by a group of seven workers, who claim to represent the wishes of the majority, that dealings with the present representative trade union are satisfactory

'The company urges all employees who are on strike to return to work immediately and having done so, the company will talk to the spokesmen of workers with a view to ascertaining the wishes of the majority of employees regarding their future representation '

Mr Ntshangase, who is also organising secretary of the Leather and Allied Workers' Union — an affiliate of the South African Allied Workers' Union — said the majority of the workers no longer wanted the Tucsa-affiliated National Union of Leather Workers to represent them

'In fact this was one of the grievances which led to the strike The majority want the Saawu-affiliate to represent them at the factory, but the management refused to recognise this union.'

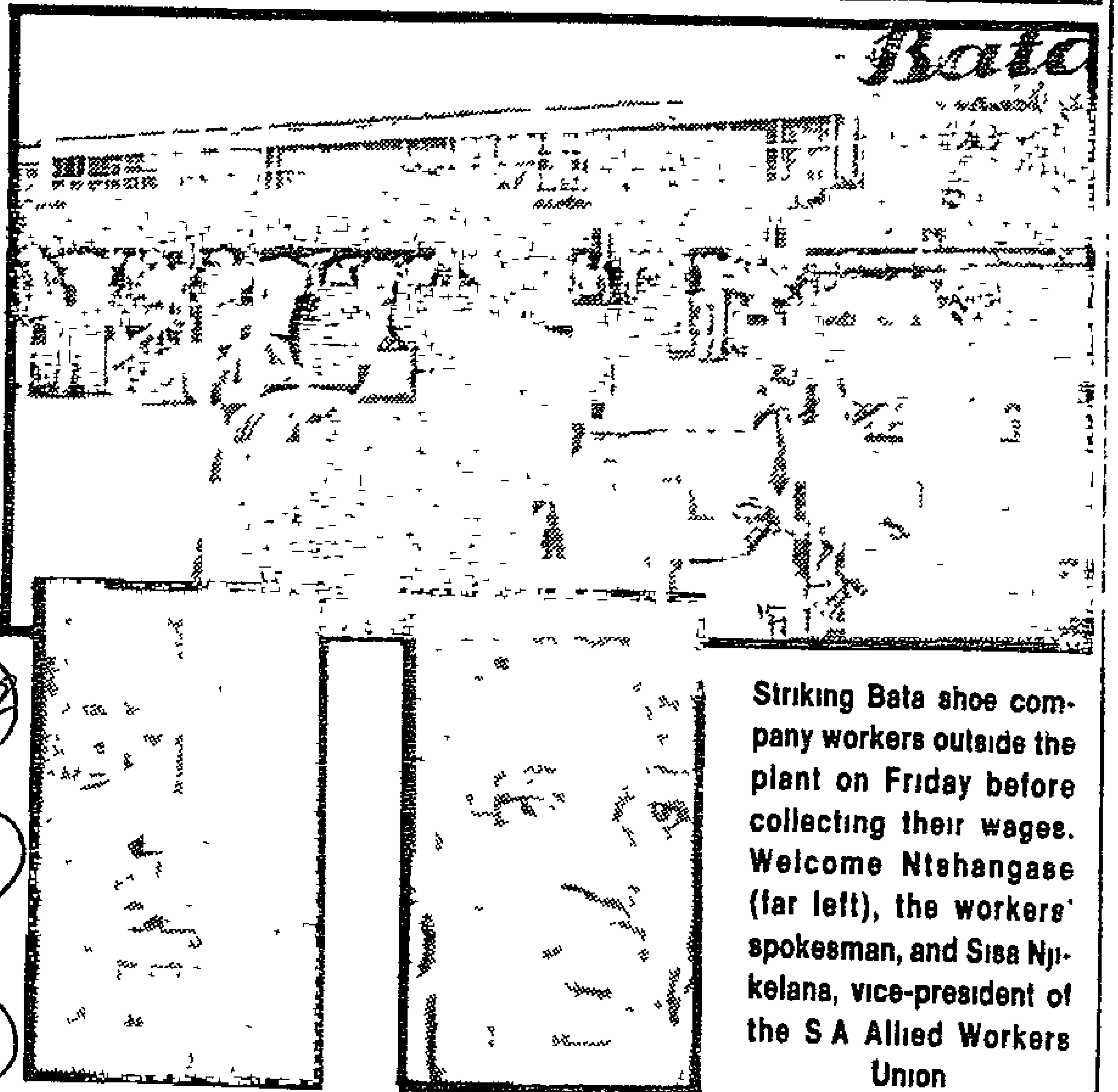
Mercury 25/2/84 (487)

# Peace talks follow strike violence

# Bata changed its tune after we phoned Canada, union claims

Tribune 26/2/84

187



Striking Bata shoe company workers outside the plant on Friday before collecting their wages. Welcome Ntshangase (far left), the workers' spokesman, and Sisa Njikelana, vice-president of the S A Allied Workers Union

By Barney Mthombothi

A TRANS-ATLANTIC telephone call to Bata Shoe Company in Canada this week brought to an end a week-long strike by more than 1[illegible] workers at the company's plant in Pinetown

They had been on strike since last Thursday because of a dispute over a pay increase and union recognition The strike took an ugly turn this week when three workers were injured during an eruption of violence

One, Miss Nomsa Mdadane of St Wendolins, is in hospital with a bullet wound in the chest after she was allegedly shot by a security guard

The workers decided on Friday they would report for work tomorrow after management assured them they were prepared to talk to the workers' spokesmen "with a view to ascertaining the wishes of the majority of employees regarding their future representation"

Workers saw this as a turn-about by management from the hard line it had taken since the strike began and decided to go back to work while talks on union recognition continued.

They are demanding a 30 percent wage increase and that management sign a recognition agreement with the Leather and Allied Workers' Union, and not the Tucsa-affiliated National Union of Leather Workers, which they say they were forced to join

A spokesman for the workers, Mr Welcome Ntshangase, said there had been a perceptible change of attitude by management after he had contacted Bata's headquarters in Ontario, Canada on Wednesday

"We contacted Bata's head office because we wanted them to get the workers side of the story as well," Mr Ntshangase said

He said Mr Thomas Bata, head of the company, had not been available, but he had been able to speak to his secretary-general, a Mr Cheasarie

"Mr Cheasarie said they were very concerned about what was happening here but could not help because Bata here was autonomous He however assured me they would contact Bata"

Mr Ntshangase said a letter to workers from Bata's industrial manager Mr D A Bell showed they had changed their initial attitude

Mr Sisa Njikelane, vice-president of the SA Allied Workers Union to which the Leather and Allied Workers Union is affiliated said the union would have no problem proving majority membership at Bata

But Mr Terrance Davan of the NULW said all workers at Bata belonged to his union He denied his union had a closed shop agreement with Bata

Mr Davan said workers who joined the new union had been intimidated into doing so "The dispute at Bata is a management-worker dispute It is not union-worker dispute"

Bata management has refused to discuss the strike with the media except to release a short statement acknowledging the existence of the strike and dissociating themselves from the shooting which took place on their premises

# Woman (19) shot as 1 000 strike

Sowetan 1/3/84

187

**THE Pinetown police are investigating charges of assault following the shooting of a 19-year-old worker during a week-long strike by over 1 000 workers at Bata Shoe Company near Durban.**

Miss Nomsa Mdadane, of St Wendolins, Pinetown, was allegedly shot in the arm by a company security guard. She was admitted to the King Edward Hospital XIII and later discharged

Three other workers, Mr P Mkhize, Mr Z Ndlovu and an unidentified staffer, were injured when violence erupted near the plant last week

The incident has been confirmed by the police, who say they are investigating.

The workers, members of the Leather and Allied Workers' Union, an affiliate of SA Allied Workers' Union, went back to work this week after management had promised to continue discussions with them. They demanded 30 percent pay increases and union recognition.

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FRIDAY, AUGUST 3, 1984

# Shoe factory boost

D. Dispatch

QUEENSTOWN — A Durban-based shoe factory, Mayflex Shoes, is to relocate to Queendustria in an operation expected to pump close to a million rand into Queenstown's industrial economy.

The deal was announced this week by Mr Adri Loots, whose company is industrial consultant to the municipality and who negotiated the deal.

Mr Loots said the factory manufactures many popular lines in footwear, including school shoes, running shoes and "tackies."

# Footwear imports worry local industry

E Post 11/8/84 (187)

AMONG domestic manufacturers likely to benefit from rises in prices of imports as a result of the rand's recent nosedive, are those in the footwear industry.

However, after a prolonged assault on the South African market by cheaper-priced imports, the director of the Port Elizabeth-based Footwear Manufacturers' Federation of South Africa, Mr Denis Linde, is wary of anticipating early relief

In his report to the federation's recent annual general meeting in Cape Town, Mr Linde outlined the impact of imports on the local market And in an interview this week, he said, notwithstanding the rand's steady loss of value, the gains made by imports in the first four months of 1984 had grown worse

In January, 1984 the volume of imports (at 826 052 pairs), was some 75% up on the 473 092 pairs imported in the same month last year, delegates to the federation's AGM heard several weeks ago

"And despite the increasing costs of imports, the figures for January to April show a 100% increase in both volume and value of sales," commented Mr Linde this week

"So for this period it's got worse, not better Though we can hope that the rand's effective devaluation (approaching 25% before last week's remedial action on interest rates), will help, we haven't seen any results yet"

Mr Linde's rueful comments might usefully be gauged against a background in which the federation is awaiting the outcome of a 27-month-old application to the Board of Trade for formula import duties on the basis of "disruptive competition"

And should there be any doubt that tariff increases under discussion be traded-off against import price increases resulting from exchange movements, Mr Linde points out that "both the Board of Trade and the

● To Page 2

# Imports still worry SA footwear men

11/8/84 (187) E Post

● From Page 1

Minister of Industries and Commerce (Dr Dawie de Villiers), disregard such movements because they are so unpredictable"

The federation's application calls for tariffs which will introduce highest percentage increases in the lowest-priced products and reduce to a cut-off point where a duty of 30% will apply

At the lower-end of the product range tariffs are intended to more than double retail prices of imported footwear

Mr Linde says he understands a decision favourable to the domestic industry was taken towards the end of last year, but has not yet been made public

"The snag is that a vast number of these tariff items fall under binding GATT agreements — which means that we must first negotiate these items out of the agreements before we can adjust the duties

"This can take an awfully long time — years in some cases"

Hardest hit last year by the inroads made by imported products in the domestic footwear industry were manufacturers in the lower-end of the market

A little over 26% of the total number of imports into the country in 1983 fell into the category of laced canvas footwear — and doubled the previous year's imports

# S A shoe industry faces further retrenchment

225 187 Finance Reporter NM 17/4/85

BELEAGUERED by inexpensive imports and slow collection of debts the South African shoe industry could be hit by further retrenchment if there is no improvement soon according to the March edition of *KreditReview*

A number of factories are already working short term and the situation could be further aggravated by a fall off in winter orders, that are already below expectation

The journal says although the value of overdue accounts at 20 7 percent is moderately up on previous years the number of debtors unable to meet their commitments has risen to 50,1 percent in the last two months of 1984

'Until this amazing escalation, the industry appeared to be holding up reasonably well, with an approximate overdue average of 27 percent

According to the journal, a large portion of the escalation is due to 'refer to drawer' cheques and extensions on post-dated cheques

*KreditReview* notes that 'refer to drawer' cheques in the industry may have grown by over 100 percent in the past six months

The textile industry has also witnessed a substantial deterioration in debtors, with value of overdue accounts rising to R20,372m — 11,7 percent higher than last year

The number of overdue debtors at 46,8 percent is 12,9 percent higher than last year

The journal says woven manufacturers are being castigated by the clothing industry for unreliable deliveries but the industry 'which was forced to retrench about 13 000 employees, while the clothing industry made its purchases overseas'

It points out that the rand-slide has aggravated the situation by changing the actual cost of imports

# Footwear trade hard hit by the recession

AK64
19/4/85
60
187

**Financial Editor**

THE recession has hit the footwear trade hard and half the country's shoe stores are behind in the payment of their bills, says the latest issue of KreditReview, the official journal of the Kreditinform credit information organisation

It says the value of overdues is moderately up, being 20,7 percent higher than last year However, the most disturbing statistic is the number of debtors who cannot meet their commitments It says that 50,1 percent of them are overdue

The deterioration began in the last two months of 1984 Until then receivables had been holding up well with about 27 percent overdue

## Winter orders

The footwear industry, already under pressure from inexpensive imports, is finding winter orders slow in coming in

KreditReview says it is probable that further retrenchments in this industry will be necessary if no improvement is seen soon A number of factories are already working short-time.

It reports there has also been a substantial deterioration in the textile industry's debtors' position. The value of debts overdue is 28,7 percent, which compares with a figure of only 17 percent last year Altogether 46,8 percent of debtors are overdue against 33,9 percent a year ago

Reflecting this situation applications for liquidation and sequestration reached record levels in the first two months of 1985, being double last year's corresponding figures

It is estimated that when all the figures have been received the number of final liquidations last year will be 4 600, to handsomely exceed the 3 800 in 1977, the previous record figure

## Two industries with their backs to the wall

# Grim for shoes as imports surge

(187) S. Times 21/4/85

By Kerry Clarke

ONLY months after being granted tariff protection from low-priced imports, South Africa's shoe manufacturers are complaining They are considering new applications to the Board of Trade.

Imports are eroding the market share of SA manufacturers, making up 23% of sales in 1982 and 31% last year

SA manufacturers produced 58-million pairs of shoes in 1984, and 26-million pairs were imported Total sales from November 1983 to December 1984 were worth R904-million

There is hope in the industry that the devalued rand will suppress imports from the Far East, Brazil and Europe this year

### Grim outlook

But Denis Linde, president of the Footwear Manufacturers Federation, says it took two years to gain tariff protection

"The outlook for shoe manufacturers is grim," he says

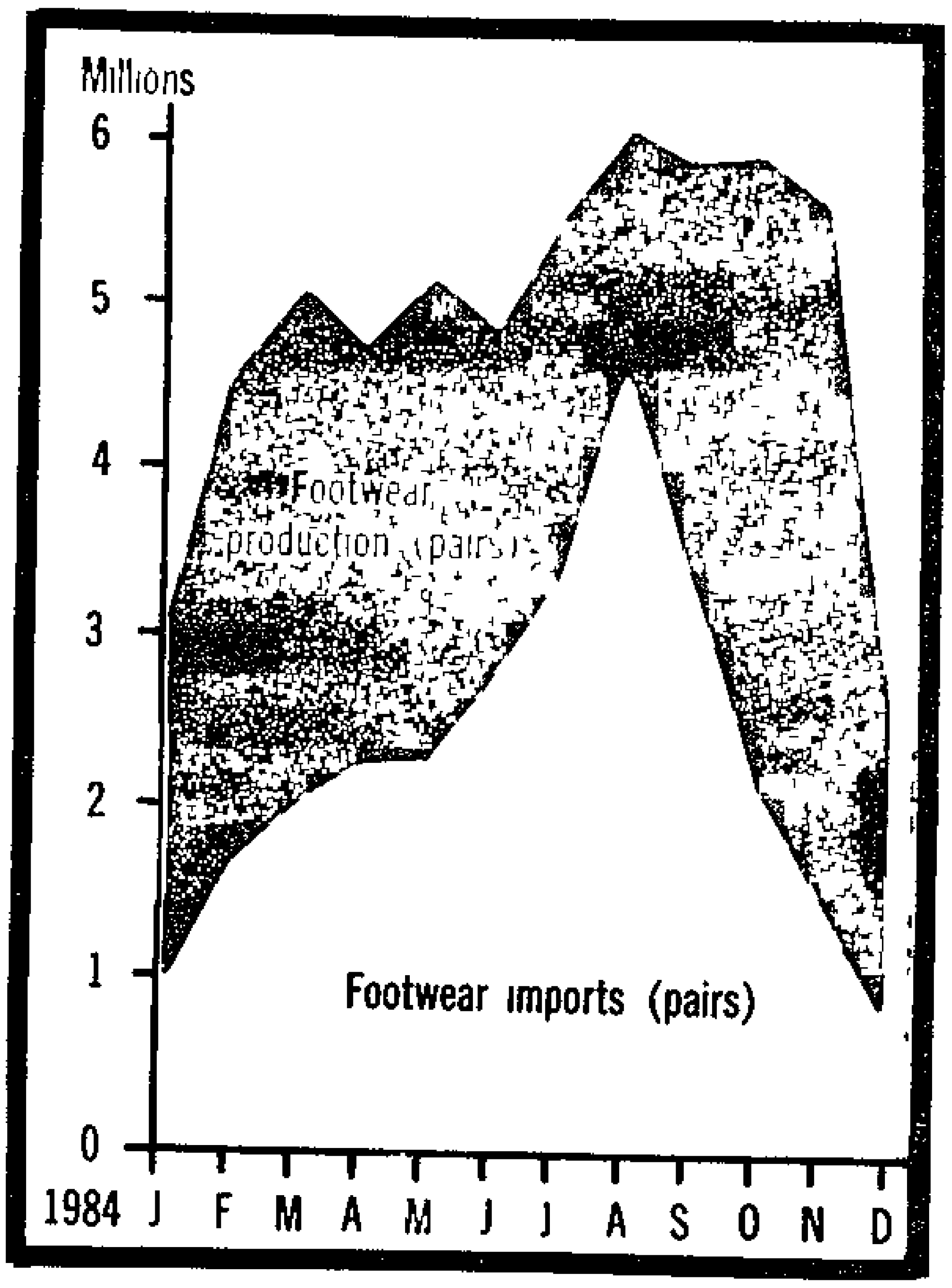
About 95% of manufacturers are producing way below their capacity, says Robert Feinblum, managing director of Conshu, one of SA's biggest shoe firms Some factories are working only a three-day week and retrenchment is widespread

Mr Linde says the labour complement in the shoe-manufacturing industry has dropped 22% since 1981

Johnny Greenblatt, marketing director of Richleigh Shoes, a company in the SA Breweries SA Footwear group, says certain factories producing women's shoes have reduced production from 2 500 pairs a day to only 800

Manufacturers also face increasing raw material prices

PVC, used for soles and synthetic uppers, increased in price by between 10% and 20% in the past few weeks, and leather prices have doubled in the past 18 months




### Short notice

Retailers are causing another problem by ordering shoes at short notice

Mr Feinblum says "This is dangerous for us as it makes it impossible to plan We are working from hand to mouth"

Kreditinform reports that more than half SA shoe stores are overdue in payments to suppliers

Kreditinform's quarterly review says "Winter orders, which should be virtually finalised by now, are not up to expectations It is probable that further retrenchment will be necessary in this industry if no improvement is seen soon"

### Winner

In spite of difficult market conditions, some shoe manufacturers are working at near capacity This fact was noted by the Minister of Trade and Industry, Dawie de Villiers, in a letter sent to the Footwear Manufacturers Federation last month

Dr de Villiers said the pessimistic views sometimes expressed about the state of the industry were exaggerated

Richleigh Shoes in Maritzburg has maintained output at capacity of 4 700 pairs of men's shoes a day Mr Greenblatt says 1985 will be one of the best years in the company's history He attributes the success to an aggressive sales and marketing policy and a trimming of the range of styles

"I am not against imports because I believe that if we are good enough we will survive However, I might feel differently if I were involved in producing women's shoes"

FIN MAIL 25/4/86

LIQUIDATIONS

# Dragging feet

187

**Local tanners** and other footwear component suppliers agreed last year to wait for settlement after a local subsidiary of a major international shoe manufacturer went to the wall They are still waiting

The South African subsidiary of the giant C & J Clark footwear company, based in the UK, was placed in voluntary liquidation in January 1985, owing more than R1m to about 20 creditors

Clarks guaranteed to honour its debts and even arranged a payment schedule, put forward by the SA-based liquidator in late 1985 This schedule has now been dubbed "the never-never plan" by suppliers It was agreed that 25% of the total owing would be paid in January 1986, with another 50% in June or July this year and the remaining 25% in December 1986

But the January payment has not yet materialised.

**Suppliers' shock**

Suppliers, already struggling because of the depressed footwear trade, "are shocked that a company of the standing of Clarks has chosen to procrastinate in fulfilling its obligation," says an SA Tanners' Association spokesman.

Payment depended upon the sale of Clarks' SA property from which, the liquidator says, funds have been realised A circular issued by the liquidator says discussions on payments are continuing, but that the matter has been delayed because of expense queries by the Master of the Supreme Court Adequate funds are available, the circular emphasises, but it seems the original payment plan is doomed

The circular suggests a new offer of compromise to be agreed by a majority of creditors But the suppliers are sceptical Says one "We have received many gestures of this kind before "

The liquidators' reaction? None at this stage, except an unofficial comment that creditors are being unreasonable

Financial Mail April 25 1986

# Shoe company retrenches workers

25/4/85

187

Labour Reporter

ABOUT 80 workers at the S A Bata Shoe Company Ltd have been retrenched in the past week.

Mr Terence Deven, branch secretary of the National Leather Workers' Union, confirmed yesterday that some workers had been retrenched, but he declined to divulge any further information

'It is union policy not to disclose such information to the Press,' he added

## Comment

Mr D A Bell, industrial relations and personnel manager of the company, also declined to comment when approached by the Mercury yesterday after he attended an Industrial Council meeting in Durban with union representatives

The company's managing director, Mr S Finlayson, could not be reached for comment.

A spokesman for the National Industrial Council of the Leather Industry of South Africa said it was up to individual companies to decide on policy matters regarding staffing requirements

However, the Industrial Council agreement provided for one week's notice of termination of employment and the council was therefore not directly concerned with retrenchments as such, he added

# Clothing industry is in tatters

By DICK USHER, Labour Reporter

CHEAP imports and the recession are wreaking havoc in the clothing industry and at least 4 000 jobs have been lost in the Western Cape in recent months

In the leather and footwear industry about 3 000 jobs have been lost nationally for the same reasons

And one major Cape clothing manufacturer is reported to be considering laying off about 1 000 workers as the recession bites deeper

Mr Simon Jocum, chairman of the Cape Clothing Manufacturers' Association, said today that a prime rate of 25 percent, an inflation rate of at least 16 percent and a weak rand were killing the industry

Half the costs in the clothing industry were imports — of yarn and other items — which had to be paid for in dollars

Mr Jocum also said the industry believed imports from Ciskei were finding their way to the local market

"The Ciskei gets tremendous subsidies from the South African taxpayer to encourage employment there, but effectively it seems that we are subsidising Ciskei to put people out of work in urban areas," he said

Mr Bobby Jacobs, chairman of Tej which last week retrenched 45 monthly-paid staff and put 292 workers on short-time, said the knitwear industry was particularly vulnerable to cheap imports

"And it doesn't help that we have a Taiwan within our borders Wages in border areas and homelands are much lower," he said

Mr Louis Peterson, general secretary of the Garment Workers' Union, agreed that Ciskeian imports were affecting the South African industry, mainly at the cheaper end of the market

(187) B. Day 2/5/85

# Boot on the other foot for shoe manufacturers

By KAY TURVEY

FOOTWEAR manufacturers hope to give importers the boot this year and increase their market share, which has fallen away sharply in the face of international competition.

A greater demand for local footwear is expected when summer orders are placed in the next few months, which will also provide the domestic leather industry with a boost

Three factors are expected to contribute towards ousting footwear importers from the market

- The unfavourable rand-dollar exchange rate, making some imports prohibitive;
- Additional industry protection, on a selective basis on certain types of shoes, due to come into effect in July;
- The fact that import allocations for 1985 have been restricted to 1983 levels plus 20%.

*Mr Anthony Spitz, of A&D Spitz, foresees shoe imports dropping by 30% to 50% — a chance for local manufacturers to step up the quality and styling of footwear.*

Last year local footwear accounted for R705m worth of sales, while the value of imports jumped to R123m from R72,8m in 1983.

Imports accounted for 31,2% of the market in 1984 — an "unacceptably" high level, according to Mr Denis Linde, of the Footwear Manufacturers' Federation

Mr Linde said it was important that the footwear industry was afforded protection from imports because in many cases it was often compelled to buy raw materials in protected local markets when goods could be obtained more cheaply abroad.

Job creation would be the end product of protecting, he said

About 26 000 people were employed in the industry last year, compared to more than 30 000 in 1981.

Mr Linde said that between January and March there had been 1 922 withdrawals from the leather industry provident fund (not including death and retirement), as opposed to 580 for the comparable period last year.

Footwear manufacturers had done their utmost to hold down prices because of foreign competition.

The production price index for the year to February showed an average increase in all locally-manufactured goods of 13,5%, while footwear manufacture showed an increase of 11,7%.

Howevever, Mr Anthony Spitz, of A&D Spitz, believed the price of local footwear will increase, after a new agreement which has increased wages by 10% and granted an additional two days' leave.

Yet he agrees that the high cost of importing finished footwear will benefit local manufacture.

Mr Spitz said there had been massive destocking by retailers because of the high price of imports, and that there would be strong restocking with local product in summer

"This should give local manufacturers a chance to substantially improve ranges and styling, while increasing their business."

Mr Robert Feinblum, managing director of Conshu, one of the largest shoe manufacturers, was not so optimistic

He said the slump would probably not allow local manufacturers to obtain a larger slice of the market because many countries exporting to South Africa had brought down their prices in tandem with the drop in the rand to retain market share.

Mr Feinblum said that, although Conshu preferred to use local leather to keep down prices, quality still had to be proved consistent in large quantities.

Mr Rob Newson, chairman of the Tanners' Association, described the SA leather industry as under-utilised.

But, he said there had been a definite decrease in the amount of leather imported in the past eight months and expected local tanners would see increasing demand as manufacturers began processing shoes for summer.

Domestic tanners were able to produce leather costing 50% to 60% less than the equivalent imported product.

# Imports main problem for S A footwear trade

(187) NM 6/6/85

Finance Reporter

**FOOTWEAR imports, which increased by more than 47 percent to a value of R123 milion last year, were cited as the main problem facing the industry by Mr Dennis Linde yesterday.**

Mr Linde, director of the Footwear Manufacturers' Federation of South Africa, said in a statement, that it was disconcerting to note that footwear imports which represented less than 20 percent of the local shoe market in 1981 had grown to 31,2 percent of the market last year

He said some relief could be afforded to the industry by the Ministry of Trade and Industry, which had indicated it would restrict imports to 1983 levels plus 20 percent to the value of R87m, this representing A drop of 41 percent on last year's figures

## Procedure

'Also, the new procedure which will hopefully be introduced in July of issuing permits on the basis of tariff items, not as at present where permits cover all footwear, will exercise a better control of the types of footwear to be imported

'But it is also of concern, that importers, often with a popular make that had been made locally for years, had copied the shoe in Taiwan and then imported it into South Africa in large quantities without passing any of the extra profit on to the consumer.'

He said it was correct that local material input in most cases had higher costs structures than overseas and the federation accepted the need for imported footwear, 'especially expensive fashion footwear from Europe, but the continual cost increases of raw materials was one of the industry's biggest headaches

'Rubber, for example, increased by 14 percent this month, to bring the total escalation to 45 percent in the last 12 months and plastic material is twice the world price'

The absorption by the industry of the added costs of raw material inputs had led to a decline of 32 percent in profit margins and indications were that some of these cost increases could not be carried much longer.

## Price index

He said he expected that the 1985 consumer price index for footwear will increase at a faster rate than the average CPI for all commodities for the first time since the period 1976 to 1980

The annual general meeting of the federation is to be held in Durban on June 11, when the Government's White Paper on Industrial Development Strategy will be discussed, but Mr Linde warned that an urgent solution to the industry's problems — particularly to the labour intensity of the industry — had to be found

'Since 1981 the sector has lost 18 percent or more than 5 000 of its employees — not so much because of the recession as because of imports'

The Natal Mercury, Wednesday, June 12,

# Cheaper imports blamed for drop in shoe industry

NM 12/6/85 (187)

**Finance Reporter**

CHEAPER imports and recent increased prices of raw materials were cited as the main factors for the decline in profits in the footwear industry during a Footwear Manufacturers' Federation seminar in Durban yesterday

Mr Frank Moodie, group managing director of Shoe Corporation of Africa said, in contrast to the stagnant manufacturing scene, imports had rocketed since 1979 by 152 percent to capture 31,1 percent of the South African market compared with 17,3 percent five years ago

## Declined

He said the most dramatic growth had taken place in 1984 when goods pouring in from the East and Brazil had escalated by 41,3 percent, which amounted to an extra 7 700 000 pairs of shoes

The increment alone is equivalent to the production of 15 large South African factories each capable of producing 500 000 pairs annually

'Somewhat surprisingly, exports from South Africa declined sharply to R3 900 000 last year from a high of R11,3 million in 1980 and this reflects the hugely agressive nature of our overseas competitors

'But the phenomenon of escalating imports, which we have experienced in this country, has also manifested itself in virtually every Western democracy and in most cases it has gone on longer than in South Africa

## Relief

'Footwear industries in the U S, Canada, Britain, France, West Germany and Ireland, all of which were previously major manufacturers, have been virtually decimated by the rapidly growing production in the so-called developing countries in the Orient and Brazil'

He said some relief had been afforded the industry through the present import control for 1985, based on 1983 import levels plus 20 percent, 'but if this was increased by 10 percent annually the industry could plan for the future with far greater certainty'

## Doubled

Mr Moodie said an annual 10 percent increase would benefit the country in terms of employment and foreign exchange savings and the quotas would be liberal enough to ensure lower income consumers were not unduly harmed

Mr Syd Finlayson, company manager of Bata's South Africa operations, told the seminar raw materials, which form the largest external component of input in the industry, had risen by nearly 40 percent for those imported

He said synthetic rubber had increased by 46 percent and raw hides had almost doubled

Mr Finlayson said productivity, through maximising of output of the industry's resources, was the industry's future direction to success

'We have to raise out productivity levels to those of the industrialised nations For too long our productivity increases have originated from using additional or extra resources'

# Shoe firms using 'outdated marketing techniques'

(187) NM : 13/6/85

Finance Reporter

**SENIOR management's 'lack of interest', outdated marketing techniques and shortage of skilled middle managers in the footwear industry were all highlighted during the Footwear Manufacturer's Federation annual seminar in Durban on Tuesday.**

While the high increase in imports was singled out as the most important factor in the industry's present stagnation, Mr Syd Finlayson, company manager of Bata's South African operations, said in his address that during his three years in the footwear industry he had become disenchanted at the lack of interest shown by senior management in many areas of the industry

'It seems that provided someone else is doing the work and fighting the battle they are unconcerned'

Mr Finlayson cited two instances when meetings had been called to discuss the threats of imports when only six chief executive officers had attended and at another meeting in Natal when the same tier of executives had been called to discuss the acceptance of proposals put by the National Productivity Institute to assist in increasing productivity and was attended by a handful of managers.

## New ideas

The industry is estimated to have approximately 144 footwear manufacturers

He said many companies 'paid little or no attention to marketing'

'We have become a "knock-off" industry, largely incapable of creating new or innovative ideas, or even attempting to establish the needs and wants of our customers'

'As soon as a specific shoe becomes a successful product at least five or six manufacturers copy it identically or retailers get it "knocked-off" in the Far East

'And I predict that if imports continue growing at the present rate and unless local manufacturers become more marketing oriented, price cutting will become the only tool for continued existence, with the result that in the not too distant future only a small percentage of today's manufacturers will still exist, and then at unacceptable profit levels'

## Solution

Mr Finlayson said the industry had to become more aware of consumer needs and demands, and added that poor marketing had caused more companies to go to the wall in the current recession than was ordinarily believed.

He said a solution to the lack of skilled middle managers was to develop industry-oriented courses at tertiary levels, 'probably in the technicons on a similar basis available to engineering technicians

'To begin at grass-roots levels would take some time for the industry to reap the benefits, but would certainly contribute to the creation of capable and well trained middle management and ensure an adequate pool of supervisors'

**Post Business**

# British United plans export drive

Business Reporter

BRITISH United Shoe Machinery (Pty) Ltd, manufacturers of tacks and nails for the shoe industry and for general industry, is poised to enter the export market

Product manager for BU in Port Elizabeth, Mr Barry Bouton, told Evening Post that since the beginning of the year the company, which has its factory in Port Elizabeth, had spent a quarter of a million rands on overhauling plant and buying new machinery

Additional funds — which would also amount to about R250 000 — had been budgeted for improvements to the plant next year

The main idea behind the improvement and extensions to the plant was to consolidate the company's position in the South African market with a view to exports

Mr Richard Jourdain, engineering manager for BU Shoe Machinery, will be going to Leicester, England, this month for a four-week training programme to keep abreast of the latest techniques of tack and nail manufacturing

Project manager for BU in Leicester, England, Mr Owen Webb is in Port Elizabeth to supervise the overhauling of the PE plant and the installation of the new machines

The director of footwear materials, Mr Martin Done, first mooted the overhauling and improvements to the plant last year

Mr Webb visited the factory in Port Elizabeth in December for two weeks when the plans were initially drawn up

He returned for four weeks in March

Mr Webb paid his third visit to Port Elizabeth last month to supervise the final stages of the project, which is likely to last a month

**MR RICHARD JOURDAIN, engineering manager at British United Shoe Machinery (Pty) Ltd casts a critical eye on a machine in the plant at the company's Port Elizabeth factory, which is getting geared up to enter the export market.**

Mr Webb has 51 years' experience in the nail and tack manufacturing industry

In 1962 he spent eight months in India helping to build a complete factory for the manufacture of tacks and nails for shoes

He spent some weeks in Paris at a tack factory there and has paid short visits to Holland and Sweden in the course of his work

BU are suppliers of all kinds of materials to the shoe industry but have also perfected techniques for the hardening of nails — their nails will drive through steel

By improving their plant for the manufacture of tacks and nails BU are planning to improve their output and the quality of the goods and they will soon be making a thrust into the export market

**Product manager at British United Shoe Machinery (Pty) Ltd in Port Elizabeth, Mr BARRY BOUTON (left), and MR OWEN WEBB, project manager for BU at Leicester, England, discuss some aspects of the plant in Port Elizabeth**

# Skilled office staff in strong demand

Business Reporter

THERE is so much gloom and doom around that it is pleasant to hear of good news for a change and the good news for office staff with good skills is that there is strong demand by commerce and industry throughout the country for them

A recent salary survey released by Kelly, the largest general office consultancy in South Africa, highlights the demand for shorthand secretaries earning R1 000 and over, receptionists with typing skills earning R750 and trained word processor operators earning R1 000 and over

Kelly Personnel Group's general manager, Mr John Dawkins, says qualified applicants in those job categories are needed in most areas throughout the country

He said there was a market shortage of staff with good general office skills

Salaries were not decreasing, but were stable and increasing due to the shortage of available skilled staff in certain job categories

# Cheap imports cost 500 jobs

ABOUT 500 workers will lose their jobs when a shoe factory closes at the end of this month — because of cheap imports of shoes from the Far East and the high cost of raw materials

Mr Selwyn Lurie, joint managing director of Natal Canvas, said all his workers would receive severance payments when the footwear division closed down.

The directors' report said the "large variety and volume of cheap footwear imported from the Far East" contributed to the division's loss.

187 S Times 22/9/85

# Stricter controls on shoe imports

(60) 187

BDAY 17/3/86

CHRIS CAIRNCROSS

GOVERNMENT has decided to apply stricter control on footwear in order to check temporarily inroads imports are making into the domestic market.

The purpose is to give SA's footwear manufacturers sufficient breathing space until additional tariff protection has been finalised, says Trade and Industries Minister Dawie de Villiers.

The Footwear Manufacturers' Association is preparing an application for further protection on categories of footwear not already covered by tariffs and formula duties introduced last year.

Opening a shoe factory in Maritzburg on Friday, De Villiers said disruptive competition from imports had led to an unsatisfactory local situation that could not be permitted to continue.

Domestic demand for footwear has shrunk from a normal offtake of about 80-million pairs of shoes a year to about 68-million pairs in 1985.

Production in terms of pairs has fallen from 63-million in 1981 to about 54,7-million last year.

At the same time the share of the domestic market captured by imported footwear has increased from about 17% in 1979 to 31% in 1984.

Confirming that stricter import controls would be applied until additional tariffs could be introduced, De Villiers warned that such protection could not be applied indefinitely.

(187) 

# Shoe workers' pay upped

ALAN PEAT

WORKERS in the shoe-making industry are to get a 12,5% wage hike from July 1, under an agreement signed between the Footwear Manufacturers' Federation (FMF) and the SA Federation of Leather Trade Unions last week.

The across-the-board increase will apply to all sections covered by the Industrial Council's footwear agreement. The employees will also benefit from an extra working day's paid leave a year, raising the present allowance to 15 days.

A leather industry source said the negotiations took two full days.

The unions were pressing for an increase in excess of the present inflation rate — estimated at 18,5%. And the industry aimed at a lower figure than was finally compromised on, as the manufacturers continue to feel the effects of a recessed market and competition from cheap imports.

Dennis Linde, executive director of FMF, said the industry felt that the impact on the price of end-products from the wage increase would be "no more than 5%"

# Women's fashion footwear manufacturers 'face disaster'

26/4/86 SMM 187 207

By Stan Kennedy

The average women's footwear manufacturer experienced a virtual zero growth in rand sales in 1985 and this sector of the industry faces financial disaster, says Dr Jan Boer of the National Productivity Insitute (NPI)

Net investment increased by eight percent while profits declined by 60 percent or about R260 000 per company If the change in investment is taken into account, the average decrease in profit per company was R370 000

This decrease was due to manufacturers absorbing R344 000 in resource price increases Efficiency gains compensated for this absorption with R135 000 but capacity utilisation decreases cost each manufacturer another R161 000

The NPI study covered 13 predominantly ladies' footwear manufacturers as well as seven predominantly men's manufacturers The sample is said to be representative of the industry and covers 60 percent of employment, turnover and output

"The ladies' sector is experiencing its worst financial position in the last 10 years," says Dr Boer, "and it is imperative that manufacturers, retailers, suppliers and labour consult with one another on the future viability of the this sector

"A further decline in profitability this year may lead to the closure of many reputable firms"

Average profit margin before interest and tax in the ladies' sector crashed to 1,17 percent of gross sales Turnover of operating assets was 2,73 times a year and therefore the return and operating assets was only 3,19 percent before interest and tax

The NPI estimated that the average interest burden was four percent of gross sales per company This indicateds that ladies' manufacturers were making losses after interest or just breaking even

The raw material and manufacturing overhead cost components expressed as a percentage of gross sales rose sharply over 1984 This was caused by lower capacity utilisation of the fixed assets and the inability of the manufacturers to increase selling prices in line with raw material price increases

The men's sector held its own, each company's profits decreasing by R11 000 on average if the increased net assets employed (R2 million per company) was taken into account

However, the decrease in profits originated from a cost absorption of R806 000 per company, offset by a R530 000 efficiency gain plus a R265 000 capacity utilisation gain

Profit margin was about 10 percent, while operating assets were turned over 2,4 times to give a return on operating assets before interest and tax of 24 percent

# Golds close mostly easier

Gold shares closed mostly easier, shedding a part of their recent gains on light profit-taking and currency factors as the rand recovered partially from Thurday's sharp fall, dealers said

Kinross lost 150c at R42,50 while cheaper gold share losses ranged to 75cas in Durban Deep at R21,75, but ET Cons was among a few firm spots, closing 150c higher at R47

At the close 35 gold shares were lower, seven higher and eight unchanged, while the Krugerrand slipped R10 at R790, they added.

Mining financials and other minings generally also drifted off their recent highs, with Anglos closing 25c up at R43,50 after opening stronger at R44, while diamond share De Beers shed 30c at R23,70

Shortly before the close the JSE all gold index had fallen to 1174,7 from a close of 1205,1 Thursday, but the industrial index had risen slightly to 1094,7 from 1088,4

The overall index was down slightly at 1392,7 from Thursday's 1400,0 finish — Sapa

W/C ARGUS 26/4/86

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# A century in footwear, boots and all

By SIDNEY DUVAL

AT WATSON shoe factory, where the Great Brak River forms a sleepy lagoon between Mossel Bay and George, they take people, product and prestige seriously

The spinoff from such diligent commerce is a bountiful story in human and financial terms for a company controlled by listed Boltons

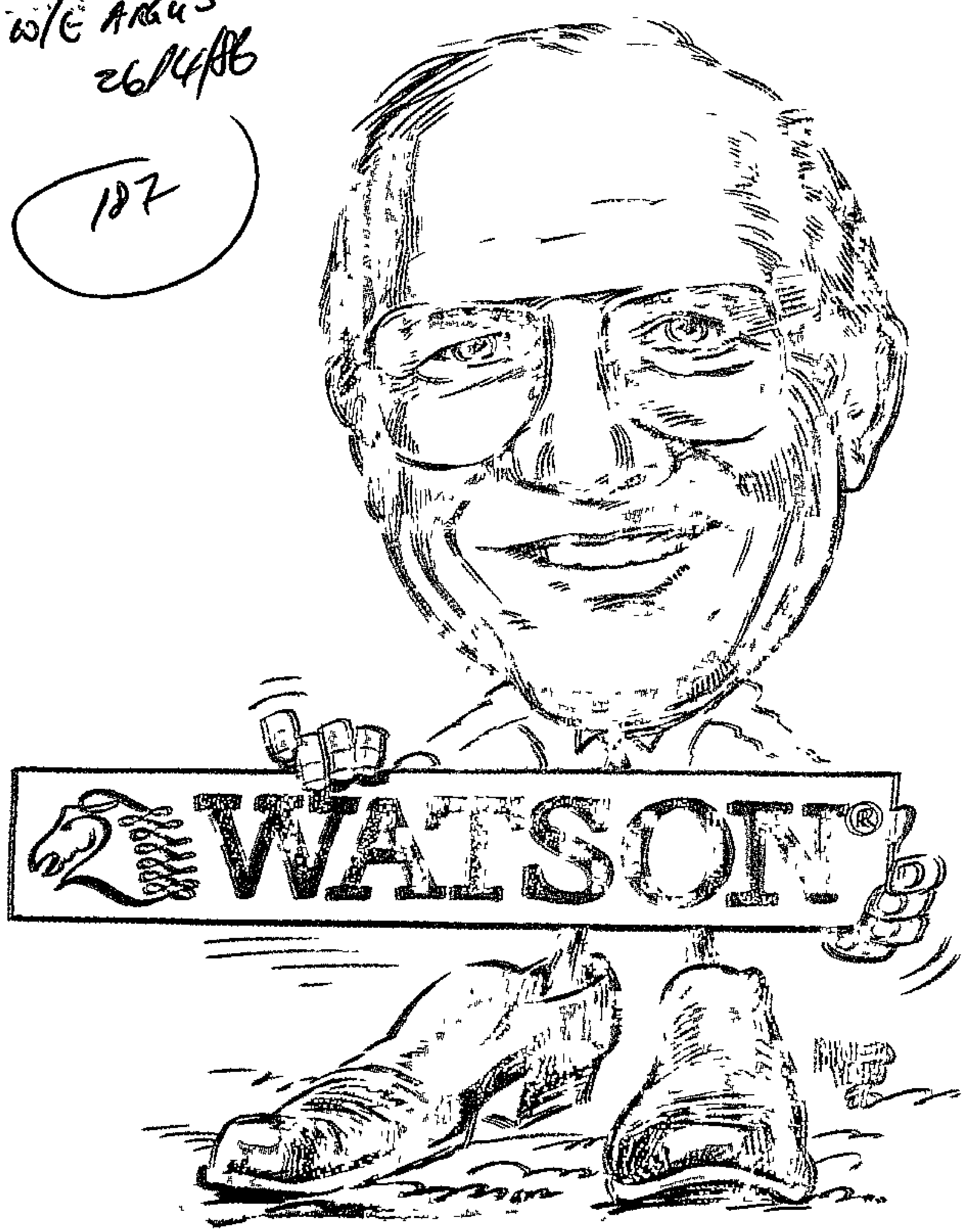
And now, in a brief break from the leather that has brought them prosperity, Watson have slipped on their casuals, so to speak, to take time off to celebrate a century of toil and growth

"We are dedicated to the best, to quality, not the biggest or volume," says managing director Brian Puchert, whose crisp speech, product knowledge, quietly sober suit, 50-year-old athletic figure and energetic grin rest happily on the elegant Bally shoes Watson make under licence from Switzerland

Puchert matriculated at Selborne College, East London, joined multinational Shell at 17, did jobs no one else wanted to, went to Tech to redo his academic matric in commercial subjects, started a CIS, and reached adulthood in a dying era of palm beach suits, suede shoes, tuxedos and swing

The holler of rock 'n roll was shaking society to bits and shoes were shaking, too Thick crepe soles — "brothel creepers" — were vital footwear for the new restless, frenzied spirit abroad But conservatism could still count on Dr Watson's Anatomical Shoe for unpretentious smartness

After four years in various jobs, a Hofman Bachelor scholarship gave Puchert the chance to work and study at Shell in Holland He could not finish the CIS but he did complete a diploma in economics



Brian Puchert . . . dedicated to the best

He returned to Johannesburg, became public relations manager for Shell SA, then Transvaal manager and later head office operations manager In 1981 he become MD of Searles Holdings at Great Brak, a productive village already noted for its strong sense of quality diversity and company and community identity — commercial, social, church, environment

The original Good Hope Boot and Shoe Factory was started by the eminent Searle family in 1886 The enterprise was to become associated with the ups and downs of the footwear industry in South Africa

In 1984 the company name was changed to Desmond Bolton Industries (Boltons) and Puchert was also having to master company interests in timber milling, timber frame housing, local supermarket retailing and a hardware store

Bagshaw shoe factory in Port Elizabeth was taken over, retailing expanded through the Shoerama chain in the Western Cape, and motor retailing tackled in a big way through the Mercedes and Honda franchises in the Southern Cape, and Toyota franchise at Great Brak

The company has since sold the sawmill and moved out of timber, but retained the timber housing and plantations devisions

A new phase of development and marketing in the shoe business began when the Dr in Dr Watson's Anatomical Shoe was killed off in the late Sixties The "Dr" bit didn't ring too well in a world going casual and pop

"You have to change — a new product brings new excitement in producing and marketing it," says Puchert

When the company decided to move into sports footwear, a Puchert hunch proved to be a coup

During a visit to Europe in 1983 he saw the Patrick range in France, liked it and impulsively contracted to manufacture it here When he told the board back home, their response was "But we've never heard of Patrick" Neither had many South Africans

Former Springbok rugby captain and marketing man Morne du Plessis agreed to join the company and help launch the product

"Nothing like it has hit the sports scene here in 10 years," says Puchert, who asserts that successful brands are a reflection of a company's brain power

NM 5/6/86 (187)

# Footwear trade not willing to invest in new plant

Finance Editor

**THE FOOTWEAR industry in South Africa is loath to invest in new plant and equipment and so increase employment because it does not think the Government wishes to encourage employment, says Mr Desmond Bolton, chairman of Desmond Bolton Industries, the Cape-based shoe manufacturers.**

The industry saw that the Government appeared to encourage employment only in decentralised areas and that it had not clear policy on footwear imports

He described, in the annual report, how in the 'good times' the Government was not prepared to protect the local industry from 'cheap' imports and said local manufacturers must rely on increased productivity to maintain their industry

The limited protection granted recently was at the height of the Government's financial squeeze and the recession when shoe sales dropped and demand at manufacturing level slumped

## Workless

Mr Bolton said that this meant increased unemployment, which was a 'major reason' for the township unrest

He pointed out that had there been closer liaison between the Government and the private sector, 'many of these problems could have been averted'

South Africa could not compete with Taiwan, South Korea and other Eastern countries which had access to petro-chemical based materials at a lower price than those produced by our 'strategic and protected' industries

Additionally, South African trade unions negotiated 'adequate wages' for their members in the industry which were 'often in excess' of the levels in the competing countries

## Overseas

Also, the manufacturers were having to compete against overseas demand for the local leather which resulted in large increases in leather prices Nonetheless, because of the collapse of the rand, local leather prices were among the cheapest in the world

Said Mr Bolton 'We believe that the Department of Trade and Industry should endeavour to ensure that beneficiation of raw materials takes place in South Africa'

He said the Government's stock reply to the industry's problems was 'export' But without a sound local footwear market exports were out of the question

However, said Mr Bolton, exports did deserve more attention from the industry

BUSINESS DAY, Thursday, July 17 1986



197 184 187

# Pepkor's new look

PRISCILLA WHYTE

THE imminent major restructuring of Pepkor makes any attempt at forecasting profits for the current financial year impossible, says chairman Christo Wiese in the annual report for the year to February 1986.

But, he adds, trading conditions in the first three months of this financial year have been highly satisfactory.

The group is changing its financial and organisational structure so that borrowings can be reduced This will have a positive effect on the underlying net asset value of the group, says Wiese. An announcement will be made later.

Pepkor is consolidating its areas of operation and in future will restrict its activities to the retailing and manufacture of clothing, footwear, and textiles for its own retailing interests

Existing operations are being reassessed to see if they match up with the new operating philosophy and if required returns are being achieved.

During the past financial year the core business divisions — retailing and manufacturing — performed well with operating profits up 17% But the bottom line result last year was a net loss of R16,8m compared with the previous year's propfit of R43m.

The loss, which amounted to R51,7m, was caused by an uncovered foreign transaction. It appears in the income statement as a loss of R25,9m after deferred tax In the previous year a foreign exchange loss of R40,2m was incurred before deferred tax All loans were brought onshore in January 1986 and an after-tax amount of R25,9m was writen off in forex losses last year

In November 1985, Pepkor successfully raised R54m in a rights issue of compulsory convertible debentures A further R20m worth of redeemable preference shares were privately placed

The new capital was raised to improve the capital base of the group which had been partly eroded by the foreign exchange losses.

The debt/equity ratio last year was 110% and a ratio of 75% is the target.

However, foreign exchange losses eroded a portion of the capital base and gearing shot up to an unacceptably high level

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# Return to profit seen for Spitz

LIZ ROUSE

M & S Spitz Footwear Holdings (Spitz) expects a turnaround to profitability and should resume dividend payments in the year to May 1987

Spitz, which last paid a dividend in 1982, has struggled with a loss situation since 1984

It enjoyed improved trading results in the last two months of its past financial year and losses were reduced significantly, says the preliminary report

The strengthened capital base, after receipt of R3,5m from the July rights issue, and the successful start of trading operations in nine Garlicks stores, should ensure a turn for the better.

Turnover in the year to May was R28,06m, compared with R28,1m in 1985 In real terms this spells retrogression in sales Marginal branches, in particular, those catering for black consumers, were closed down

Although the closures cost money, overheads were cut and strict cost control over book debts and overheads helped reduce losses

The pretax loss was reduced to R92 000 from a restated R387 000 in 1985. The bottom line was propped up by a credit of R113 000, being a dividend attributable to a preference shareholder in a subsidiary. The net loss attributable to ordinary shareholders narrowed to R235 000 from a restated R428 000 loss in 1985.

Comparative figures for 1985 have been restated to take into account a change in the basis of accounting for export incentives. This reduced the 1985 loss by R94 392

Spitz shares have not responded to previous statements by chairman Anthony Spitz that profits were around the corner. They are currently trading at 110c, near the year's low of 100c. Perhaps the latest results will cast a new light on what should be a recovery stock.

# Shoe factory burns

C Times (187) 28/8/86

Staff Reporter

A FIRE in a Claremont shoe factory early yesterday morning caused damage estimated at more than R300 000

The fire, fanned by a strong wind, started about 5am at Mondain Shoes, Glosderry Street Firemen brought it under control by 6 20am

A spokesman for the Central Fire Brigade said two fire engines from Wynberg and one from Salt River had been used

The owner of the factory, Mr Clive Shonfeld, said the fire had destroyed his stock of raw materials He did not know what caused the fire He hoped to be back in production within a week

The fire destroyed the storage room but was stopped from spreading to the machine room where expensive machinery is housed

Employees of Mondain Shoe Factory in Claremont salvage shoe soles after a fire destroyed a storeroom early yesterday morning. Picture ANNE LAING

# Some fancy footwork needed to bring M & S Spitz back to life

15/9/86 · 187 STAR

M & S Spitz Footwear has once again found an excuse for its losses This time it's the recession and the weak rand

The R3,53 million from the rights issue received on the last day of the financial year, May 30, 1986, arrived just in time to give the balance sheet some semblance of respectability

The group is losing market share with turnover static for the last three years at R28 million annually

Persistent losses have resulted in the net asset value sliding from R1,95 per share in 1984 to R1,40 a share at May 1986

The rights issue, pitched at R1,10 cents a share, together with the option price at R1,10, which can be exercised in whole or in part in October in any of the years 1987 to 1989 inclusive, leaves shareholders wondering whether this was a bargain price or indicative of the downward trend

## Strong action

The group badly needs to arrest its loss-making trend and return to profitability

Strong management action and the successful rights issue resulted in a much-improved balance sheet, according to chairman Mr Antony Spitz Unfortunately, the money from the rights issue did not help reduce the high interest charge of R1,14 million (1985 — R1,6 million)

Mr Spitz is cautiously optimistic of his group's position "because of the considerably better financial position, very balanced stock situation and the strong market position of our retail division and manufacturing brands"

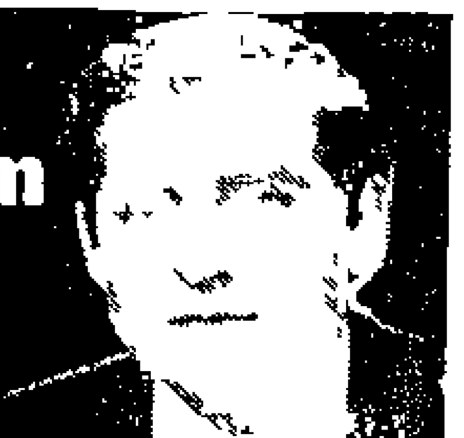
The most important event of 1986 was the successful negotiation to lease shoe departments in nine Garlics stores throughout South Africa, effective from July 1986 The anticipated boost to turnover should replace that lost in the nine stores closed during the past year

The rand's decline has forced the company to substitute imports with local products This trend will continue Year-end stocks were virtually unchanged in 1985 and 1986, standing at R7,28 million, but quantities must have reduced

Losses attributable to ordinary shareholders totalled R235 000 (1985 loss — R428 000) meaning a seven cents loss per share (1985 loss per share — 12,8 cents) For the forth consecutive year, ordinary shareholders received no dividends

Mr Spitz is confident the company has turned around and should once again become profitable, shareholders should look forward to a resumption of dividends at the end 1987, he says

Borrowings have reduced to R5,64 million (1985 — R7,88 million) However, the R2 million in preference shares raised in a subsidiary during the past year is redeemable in December 1986, so unless substantial profits are made in the current year the borrowings will bounce back to May 1986 levels



**The bottom line with Michael Menof**

Subsidiaries needed further funds in 1986 and by May a staggering R7,87 million (1985 — R4,29 million) had been lent to them by the holding company Tax losses have increased 25 percent to R3,72 million (1985 R3,09 million)

The group's capital base has increased from R6,07 million to R9,37 million at May 1986 due to the rights issue Working capital is presently healthy with net current assets totalling R7,51 million compared to the R2,05 million a year previously

Directors shareholding increased from the 2,71 million ordinary shares held at May 31, 1986 to only 3,64 million shares after the rights issue Not all directors chose to follow their rights Previously the directors controlled 81 percent of the share capital but now control only 55 percent

The company has guaranteed the lease obligations to provide on-going finance for certain subsidiaries Regretfully, no amounts are stated It has ceded amounts totalling R8,27 million as security to their bankers The nature and origin of these amounts is unclear

Export incentives are brought to account on an accrual basis according to the accounting policies Does this mean the company is exporting? The chairman's and director's reports make no mention of this

## Dismal performances

Spitz footwear is in both the expensive and budget sectors of the market With disposable incomes diminishing it is apparent that people are buying fewer shoes than in the past Since the population is increasing and sales are static perhaps Spitz is facing severe competition and losing market share

Unfortunately the full reasons for the dismal performances of the past are omitted The numbers are dull and while the Garlicks agreement will help it is doubtful whether this will drastically change the company's fortunes Perhaps the group is sorely missing the fashion and marketing flair of the late Mrs Miriam Spitz

Management needs to do a lot more polishing if the results are to shine once more, but some fancy footwork is urgently needed to bring the group back to life again

17/10/86 FIN MAIL

FOOTWEAR

# Out of step

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Like the clothing industry (*Business* October 3), footwear manufacturers have their own material supply problems However, although demand is at unprecedented levels, manufacturers are making every effort to meet deliveries

Not all of them, however, are succeeding With a 16-week delivery time quoted on canvas, for example, at least one major order has been lost because the manufacturer was unable to guarantee the range would be in the customer's store when he needed it

Rather than become involved in unseemly squabbles with suppliers, most manufacturers seem content to concentrate on output while they use what leverage they have to unclog the supply pipeline.

Footwear manufacturers owe their improved fortunes mainly to the rand's poor conversion rate Retailers, who traditionally sourced many lines abroad, have been forced to look inward. In addition, retailers who had run down inventories through the recession were caught short by the sudden upturn in sales.

As a result, they have rushed in orders — and manufacturers have packed order books until the first quarter of next year.

Things could have been markedly different, however, had not the Footwear Manufacturers' Federation (FMF) taken timeous steps to halt the flow of cheap shoes from abroad

Just two years ago, the FMF was contending that SA was being used as a dumping ground for lower-grade shoe imports Urgent appeals to the Board of Trade and Industry (BTI) for tariff protection resulted in new formula duties on canvas and leather footwear which effectively increased the duty on cheaper lines.

That seemed sufficient to slow the flood of cheap imports to a trickle and the depreciation of the rand did the rest.

At this point, there is no pressure on the BTI to change the quantitative controls on footwear, which have been held at the 1983 levels plus 20% in value terms for the past few years.

However, this is not to say that things will not change. Manufacturers are already expressing concern that retailers may return to purchasing overseas if the rand continues to strengthen One manufacturer says he knows of a retailer who sent his buyers to the Far East the moment the rand's exchange rate touched US40c

Moreover, manufacturers are still concerned at the high imports of womens' lines An application to the BTI for additional duty protection was held in abeyance when retailers increased local buying, but FMF director Dennis Linde says. "We're watching the situation closely."

Of more immediate concern to manufacturers is the rising cost and shortage of just about all inputs The SA Tanners' Association is quoting deliveries on hides well into next year and, echoing the problems of clothing manufacturers, the bottleneck in fabric supply is chronic

Admittedly, the industry's increased demands on suppliers is partly responsible for the problem Linde says manufacturers are doing what they can to alleviate the situation But as it is a comparatively small user of textiles, he says it cannot bring a great deal of pressure on producers Consequently, it has no choice but to stand in line

Inflation is another major worry. Linde estimates that all inputs with a rubber base have increased by about 100% in the past year and the price of leather has shown similar gains

"We have to get inflation in the industry down," he says "Eighteen months after we win additional duty protection, we find we are again uncompetitive Increasing duties continually is not the answer, either" ■

# Tannery's future known tomorrow

2/11/86 ~~&~~ (187)

By DEBBIE MARCH

A STATEMENT on the future of the Bata Shoes tannery in Uitenhage after yesterday's announcement that the Canadian company is disinvesting, will be made tomorrow

The company's general manager, Mr Sid Finlayson, gave assurances today, however, that none of its 3 200 workers countrywide would lose their jobs This had been one of the requirements of sale to an undisclosed investor

A spokesman at the Uitenhage plant, where about 200 people are employed, could not say what the future held

Another brushed off questions saying "Nothing is changing We'll continue as is"

The plant's general manager, Mr G I Manley, was attending a directors' meeting in Pinetown, and was expected to return with further information

"Until then we have no comment whatsoever A Press statement will follow," the spokesman said

The announcement by Bata Shoes, the biggest Canadian employer in SA, follows the withdrawal of General Motors, IBM and Eastman Kodak

Bata's factories in SA are at Greytown, Kranskop, Loskop and Escourt Its head office and industrial footwear depot is in Pinetown

Mr Finlayson said although the name of the company and its trademark would change, the local product brand-name would remain the same

# Bata being sold to local group

22/11/86 NM (187)

**Mercury Reporter**

BATA (S A) is already in the process of being sold to an undisclosed company and negotiations will be tied up within weeks

A condition of sale is that no employees will lose his job

This was said yesterday by a spokesman for the company who confirmed the name of the company and its trademark would change although local product names would remain

Speculation in the business community is that the giant Rembrandt group is the most likely to buy out the Canadian-based Bata Rembrandt refused to comment

Other possible buyers could be South African Breweries, Barlow Rand or Natal Canvas All are big industrial conglomerates with enough financial muscle to buy a company Bata's size

Mr Basil Baker, company secretary at Bata's headquarters in Toronto, Canada, said last night the name of the likely buyer could not yet be revealed for fear of jeopardising the deal and the jobs of the company's 3 200 South African workers

'We've gone to a great deal of trouble finding a buyer who is willing to continue to serve the consumer in South Africa and to provide meaningful jobs for South Africans,' he said

'The last thing we want, after going to such lengths to find such a buyer, is to find the deal falls through because we've mishandled it'

## Continue

Yesterday Mr Sid Finlayson, managing director of Bata (S A), said 'There will be no changes in our management team and the jobs of our employees will not be affected as a result of this change of ownership

'We will continue to provide footwear for the South African market'

Yesterday a spokesman for 3M, the giant American-based concern with 900 employees and a country-wide operation in South Africa, discounted speculation that they also intend to withdraw from this country

Yesterday the group's public relations officer Miss Deidre Jansen, said all indications were positive

In a statement released by 3M in the United States the company emphasises that it believes the policy of helping all South Africans progress is the socially responsible way to fight apartheid

## Drivers of 60 heavies charged

**Pietermaritzburg Bureau**

SIXTY heavy-duty vehicles have been suspended and the drivers charged for overloading since the start of a new campaign by NPA traffic police on the N3 here on Wednesday

A traffic inspectorate spokesman said 181 heavy and extra-heavy vehicles had been weighed at the Mkondeni testing grounds in the past three days The highest overload on a single axle was six tons

In spite of an on-going campaign by the NPA traffic inspectorate one in three lorries travelling the N3 would appear to be overloaded, according to statistics

## *Two brothers jailed*

**Court Reporter**

TWO brothers were each jailed for 10 years by Mr J J Brits in the Durban Regional Court yesterday after being convicted of attempted murder and robbery

Before the Court were Joseph Bhengu, 24, and Muziwenhla Bhengu, 23

They had pleaded not guilty to attempting to murder Mr Yoones Hoosen at his Glen Anil store on June 3 and then robbing him of a sports bag containing R1 000

In the robbery, four shots were fired, one of which hit Mr Hoosen in the left arm

Passing sentence, Mr Brits said he took into account that both were young men But he said, robberies of this type were very prevalent

Shop owners, particularly those in remote areas, were vulnerable to this type of attack

# European bid for Bata

SUNTIMES 23/11/86

By Don Robertson

(186) (187) (187)

A EUROPEAN consortium is reported to be behind the purchase of Bata SA, whose Canadian parent is quitting SA

The Canadians insist that Bata's 3 200 employees be assured of their jobs

This includes managing director Sid Finlayson and his executives

Mr Finlayson says "A requirement of the sale is that all employees are assured of continued employment"

Mr Finlayson was unable to comment on the identity of the buyers

Bata Canada will continue to provide training and management development programmes for staff

Bata SA will take a new name Its trade marks will also be changed, but SA brand names such as Northstar, will be retained

# Bata 'wants to set up front companies'

(187)

23/11/86

NM

**Mercury Reporter**

THERE is strong speculation in Canadian business circles that the Bata family wishes to retain control of the South African operations of the world's largest shoe company through British or European front companies

Sources closely connected to Bay Street, Toronto's Wall Street, say the Bata family, descendants of a fifth-generation Czechoslovakian cobbler who founded the company, are fiercely anti-communist and wish to set up front companies in Britain or West Germany to retain control of the South African operations

Bata's operations in South Africa include shoe factories in Pinetown, Greytown, Kranskop, Loskop and Estcourt and a tannery in Uitenhage Bata employs about 3 200 South Africans

Announcing its decision at the weekend to withdraw from South Africa, Bata said one of the requirements of any sale would be that the name of the company would change, that the Bata name and trade mark would no longer be used in South Africa and all links with Canada would be severed

Meanwhile Bata's company secretary, Mr Basil Baker, said from Toronto yesterday that negotiations to find a buyer were likely to take some time as the company wished to make it a condition that no jobs would be lost

'We are anxious to find a group who would continue what we believe to be the good work that we have been doing in South Africa

'We want to avoid a situation where the South African operation could be taken over and then closed down shortly afterwards That would be unthinkable,' said Mr Baker

MANUFACTURING – Footwear

1987 – 1988

JAN. — DEC.

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[redacted] — [redacted] ^ [redacted]

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# Mystery Bata bid

The Argus Correspondent

DURBAN — Negotiations between Bata Shoes — the huge Canadian-based company that decided last November to pull out of South Africa — and a mysterious European consortium are almost finished and the group's new name should be announced in a few weeks

"Negotiations are 90 percent completed and Bata hopes to have them finished in the next week or so," said Mr Denzil Bradley, Bata's public relations representative

"The company will then decide on a new name"

Mr Bradley said business did not appear to have been badly affected by the November announcement that Bata of Canada was pulling out of South Africa

"Many of their products, such as North Star, have individual brand names and sales have continued as normal," he said

Details of the takeover would be released when the negotiations were completed, he said, and said that Bata staff and management would not lose their jobs

Bata's South African operations include four shoe factories — at Greytown, Kranskop, Loskop and Estcourt — a tannery in Uitenhage and a head office and footwear depot in Pinetown

The company, the biggest Canadian-based concern in South Africa and the country's biggest shoe manufacturer, employs more than 3 000.

 (187) B/Day 13/2/87

# M & S Spitz polishes up showing

MERVYN HARRIS

M & S SPITZ Footwear Holdings returned firmly to the profit ranks in the six months to end November 1986.

The company expects to resume dividend payments, with a final in excess of the 5c forecast at the time of the rights offer.

The benefits of the R3,5m rights offer is reflected in the turnaround from the previous interim loss of 9c to earnings of 9,9c a share on double the number of shares in issue to 6,6-million.

Furthermore, the retail division performed significantly better.

Margins improved and overheads were controlled.

New outlets opened in Garlick stores in July 1986 made a positive contribution to profits

## Dragged down

Turnover jumped from R13,6m to R16,5m

But operating profit was dragged down by lower unit sales in the manufacturing division.

The company expects improved profitability from this division in the second half

Lower interest rates helped reverse the pre-tax loss of R294 000 into profit of R779 000

After preference dividend payments, attributable profit was R659 000

This compared with the previous interim loss of R301 000.

Spitz shares closed unchanged yesterday at 160c

The price has recovered from a low of 100c in July last year

19/2/88 Star

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# Conshu puts on shine

Finance Staff

Reflecting the strong upward trend in consumer spending in the second half of last year, South Africa's leading footwear manufacturer, Conshu Holdings, notched up good interim results over the period

Earnings per share rose by 73 percent to 23,3c The interim dividend of 7,5c is slightly higher than the 6c paid out for the last full financial year

No interim was paid last year because Conshu was only listed in March 1987

According to managing director Robert Feinblum, growth prospects for the second half should be boosted enormously by the recent takeover of SA Footwear from South African Breweries

"Although the process of digestion is still taking place, strong consumer demand for footwear has enabled efficiencies to be maintained while the businesses are being integrated"

The acquisition, however, lowered margins somewhat in the reporting period

Says Mr Feinblum "Some steps towards rationalisation have already begun and the increasing emphasis on productivity and efficiency should see the margins improve in the months to come"

He points out that the increase in earnings is particularly creditable when taking into account the fact that shoe-price rises were kept below the ruling rate of inflation

He is confident that the results for the full year will continue to show a healthy pattern of growth "as the order position remains healthy for this time of the year"

Mr Feinblum once again highlights imported footwear as an area of concern for the industry as a whole and sees the possibility of threats in a number of areas not previously contested by imports unless preventive action is taken

He says that Conshu and other concerned manufacturers are watching closely for the outcome of the Board of Trade's investigation into imports

The results of this study could be a major influence on decisions related to further investments in the local shoe manufacturing industry, particularly at the cheaper end of the market

Sun Life | Ford in East London

# Berkshire continues on the road to recovery

BD 26/2/88

/87

Business editor

EAST LONDON — Berkshire International SA (Ltd) is continuing on the road to recovery after a R451 000 loss in the last financial year.

The directors have announced a after tax profit of R33 000 for the six months ending December, 1987

Group turnover is up by 8,5 per cent over the corresponding period in the last financial year.

"Sales demand is bouyant but production remains the biggest constraint aggravated by labour difficulties," the directors say

Although there has been no outright strike at the West Bank plant, it is understood there have been some labour problems during industrial unrest at other, firms

The last financial statement covered an 18-month period and the losses were ascribed to such factors as extraordinary items involving the sale of the knitwear division and the fact that the 18-month period included to January-February low seasonal periods where the company traditionally traded at a loss.

The R451 00 loss was also mostly attributable to the loss in the South African operation of R610 000 which was offset by a R308 000 profit by the Zimbabwe operation, Zimbabwe Berkshire International (Pvte), which is a subsidiary

Under the new chief executive officer, Mr Corder Tilney, the company has undergone major restructuring with a R1 million capital investment which has enabled the company to claim a greater up market share of a new type of jeans which did not have to undergo any processing outside the West Bank plant.

Production has been rationalised and expansion at the plant is continuing and is scheduled to be complete by the end of the year Preference dividendnumber 76 at the rate of six per cent per annum for the six months had been declared and paid

No ordinary dividend has been declared

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## COMPANIES

# Conshu goes for end-March listing

LESLEY LAMBERT

MAJOR boot and shoe manufacturer, Conshu, will list its shares in the clothing, footwear and textiles sector of the JSE at the end of March.

The group expects attributable earnings for the year to June to more than double to R7,25m

Conshu is issuing 6-million ordinary shares, with 4,5-million by way of a public offer and the balance offered on a preferential basis to employees, customers and suppliers A total of 30-million shares will be in issue on listing

The shares are priced at 200c each which, on the basis of a 2,5 times-covered 10,2c dividend for the year to June, represents a forward dividend of 5,1% and a prospective PE ratio of 7,84 The company expects to pay a final dividend of 5c a share.

The aim of the listing is to facilitate growth by providing paper that can be used for acquisitions and to raise funds to repay short-term debt, which stands at R11,6m MD Robert Feinblum says that the group, which specialises in industrial boots and shoes and is a major supplier of footwear to the mining industry, is looking to acquire a fashion shoe manufacturer because of the growth potential in this area

Conshu consists of five divisions, which encompass most areas of the footwear industry and which combine to produce forecast turnover this year in excess of R150m Within these five divisions are six factories which give it an asset base of about R60m

The listing will strengthen the group's balance sheet, with borrowings halved and gearing reduced to 44%

Group profits have shown steady growth over the past three years, except for a loss in 1983 caused by difficulties in relocating the Wayne Rubber's Natal factory to new premises at Isipingo

The forecast improvement in earnings should reflect an improvement in demand for shoes, which is expected to boost sales this year The need for import replacement provides good opportunities for organic growth. In addition, the acquisition of Sportshoe, a family-owned sports footwear manufacturer, and ongoing rationalisation have increased Conshu's capacity utilisation and boosted operating margins

At 200c, it appears the shares are being issued at a considerable discount to prevailing JSE averages The current average PE in the industrial market of 12,5 would see the shares valued in excess of 300c based on forecast earnings, while the 3,5% dividend yield average in the Clothing, Footwear and Textiles sector would justify a price of around 290c on the basis of the 10,2c *pro forma* payout forecast this year

The recent installation of a computer-aided design system gives the group an edge over major competitors This development is complemented by the introduction of computerised financial control systems.

After the listing, the current institutional shareholders in the group, including Sanlam, Federated Life, Finansbank and Metropolitan Life, will still hold a substantial stake in Conshu Feinblum and his brother Allan, who is MD of United Fram, both hold a sizeable shareholding in Conshu

CONSHU

# Well heeled

Suggestions that the quality of JSE listings could decline this year do not hold up with companies such as Conshu Holdings seeking quotations

A footwear manufacturer with six factories, Conshu produces men's, ladies' and children's wear, as well as safety, industrial and sports shoes Chairman Peter Grobbelaar says the range ignores the top and bottom 10% of the market, but all-leather-upper shoes, which can retail at up to R600, have made considerable gains through import replacement

Sales of boots to the mines have benefited from expansion in this industry and the new sports section, acquired last July and expected to add R14m to turnover in the present year, includes brands produced under licence, such as the internationally-known Le Coq Sportif and Adidas Plastic boots are also produced, at subsidiary Wayne Rubber's Durban factory

The profit performance has been impressive, with turnover growing at an average annual rate of 13,9% between 1982 and 1986 and, with margins improving from 7% to 10%, operating profit has grown at an annual rate of 24%. Forecasts for the year to June 1987 anticipate a further rise in operating margins and a doubling of earnings a share, owing mainly to the addition of the sportswear division and increased capacity utilisation.

The industry is both capital and labour-intensive, but capital expenditure needs, according to FD Ronnie Tollemache, can be "financed out of cash flow", which he estimates at R6,5m-R7m a year against total capital expenditure of R3m-R4m in the past year. Debt.equity will be reduced by the issue from about 100% last June to 44%

The group had a hard lesson with Wayne Rubber, which relocated its factory and bought all new equipment in 1982, only to discover that the new technology required new skills, both technical and manual As a result, the entire group made a loss that year

Vital worker skills can take up to four years to acquire, according to Grobbelaar This can represent a threat in days of industrial unrest and stronger unions, but MD Robert Feinblum says that staff turnover is less than 2% Wages are negotiated at national level for all footwear manufacturers and the industry has not been significantly affected by strikes or township unrest

Of the total issued share capital of 30m shares, 6m are being offered to the public Dividend policy is to keep cover at 2,5 times The earnings forecast of 28,4c a share puts the share on a 14,2% yield on the issue price of R2 As this compares with a sector average of 6,1%, there are potential stagging profits for those who receive shares

*Pat Kenney*

Call for urgent govt action

B|Day 2/6/87

# Footwear industry about to collapse?

(187)

MICK COLLINS

A MAJOR manufacturing sector — the R800m-a-year footwear industry — has called on government to take urgent action to prevent its collapse.

It says, in spite of last year's near record- breaking production levels, prospects for the industry remain grim until government addresses the problem of imports

Total footwear production in 1986 was 60,7-million pairs, the second highest figure ever produced The record is 62,9-million pairs in 1981.

But, Footwear Manufacturers' Federation (FMF) director Dennis Linde says performance in terms of production volumes and values are misleading.

He says "Unless government takes urgent note of the situation and is prepared to grant some form of guarantee against disruption due to high levels of imports, the industry will find itself in the situation of reluctant disintegration."

Production improved by 10,9% compared with the previous year's decline of 6,1% in volume. During the same time, employment increased by 10%. In value terms, the industry produced footwear of more than R800m for the year.

In its annual report, the FMF said profit margins for the whole of the industry were 5,5% before interest and tax — or 2,7% before tax — and studies indicated that factories operating in the women's section showed losses.

Linde said· "Once again the industry is faced with a situation where it cannot benefit from any upswing in the general economy because of obsolete government policies"

The policies allow the importation of unemployment notwithstanding "hollow pronouncements" on the subject and millions of rand of taxpayers' money being "squandered" on ineffective job-creation programmes

Linde said· "Of great concern also is the announcement by the Department of Trade and Industry that import control on footwear would be phased out by December 31, 1987, which means that from January 1, 1988, footwear can be imported into SA without a permit. The only protection will be that of tariff duties"

Linde expects imports to grow by about 18% in 1987, increasing market share to 23,5% Local production is expected to grow by about 5%.

"As a result, footwear manufacturers, particularly those in the women's sector, can expect a squeeze on profit margins already at low levels

"Overseas studies have shown that in many Western countries substantial footwear operations either completely disappeared or were greatly reduced, once imports reached a level of 20% of their local markets."

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12/6/87 FM

FOOTWEAR MANUFACTURING

# Crying for luck

**The Footwear Manufacturers'** Federation of SA (FMF), with one of its best years in a decade behind it, is badgering government for more protection

It claims in its annual report that not only is the industry unhappy with government's intention to phase out import control on footwear by the end of the year, it demands *guarantees* that government does not allow "too high a level of footwear imports "

Predictably, the move has come in for some sharp criticism in the marketplace, not least because it was made so soon after a year (1986) in which the footwear industry

- ☐ Came from behind to chalk up its second highest production volume in 10 years — 60,7m pairs compared with a record of 62,9m in 1981,
- ☐ Improved production by 10,9%, compared with a 6,9% decline in 1985, and
- ☐ Achieved a turnover of R800m and profit margins for the whole industry of 5,5% before interest and tax, or 2,7% before tax

Moreover, Dennis Linde, director of the FMF, contends the industry is likely to show a slight improvement on that performance in 1987

**Protecting shoes? ... What for?**

Peter Bolliger, MD of footwear retailers A & D Spitz, maintains the local industry certainly needs no additional protection It can stand on its own, he says

"Permits to import shoes have been readily available for the past five or six years Those who want to import can do so freely, as it is When permits are abolished, there won't be a rush to bring in overseas products," he says "The value of the rand against other currencies will see to that."

Of most concern to the FMF, he believes, is the prospect of a flood of cheap imports from the Far East But quantitative controls already exist on canvas shoes and are likely to remain for at least the time being Moreover, he says, Far East factories' minimum orders are so big that few South African retailers can order from them Their styles, too, are aimed at the American market, so don't normally sell well here

Bolliger says Linde is crying for luck The local industry designs and makes good shoes and will continue to enjoy the support of retailers

Ken Johnston, a director of Amrel, the holding company of several retail shoe chains, regards the FMF's demands as "an overkill This is about the third time it has made these demands," he says

Retailers contend the manufacturing industry is healthy, so healthy in fact that they have been experiencing a spate of late deliveries

"Shoes for Easter arrived at the end of April," says Johnston "That shows how busy the industry is But that isn't good enough The trick is to have the shoes on the shelves when the customers want them "

Another retailer claimed manufacturers were seeking to panic the market "In most cases manufacturers are so fully booked they cannot supply "

However, he adds, even when the industry's deliveries are delayed it still supplies footwear quicker than overseas factories do. That alone should protect it against imports

FMF's fear is that once imports account for 20% of the local market, the local footwear manufacturing industry will all but disappear — as has happened in other countries — or, at best, become a shadow of its former self

Sam Davidson, national president of the FMF, says, "the problem is we do have quantitative protection now When it goes, manufacturers will only enjoy the protection of tariff duties The import permit system is our mainstay In 1984 when permits were loosened there *was* a flood of imports "

Davidson voices a legitimate complaint when he points out that manufacturers are obliged to use synthetic materials produced locally which cost much more than similar imported materials

"That leaves local downstream users out in the cold," he says "They just cannot compete on price "

The FMF's annual report claims the average price of imported footwear declined by 2% in 1986, whereas raw materials for the South African footwear industry increased by 25% Moreover, since the start of 1985 local hide prices have increased by 68%

One manufacturer insisted it was possible to place imported shoes on retailers' shelves for less than the cost of the local raw material needed to make them

Des Bolton, chairman of Bolton Industries, a major force in footwear manufacturing, maintains the shoe production figures are merely an illusion

"There are more people in SA now than there were in 1981 and everyone must wear shoes So we should have sold more shoes last year than we did then But we didn't That means we have actually lost ground "

It seems satistics are indeed malleable — depending on one's perspective ■

# Clothing, footwear, textile industry expecting a boom

STar 19/6/87 (187)

**Finance Staff**

DURBAN — Retail sales for the clothing, footwear and textile industry this year are likely to grow to R7 billion (from R5,7 billion), SA Breweries director Ronnie Cohen said at a textile conference in Durban yesterday.

Mr Cohen said he believed spending would increase because of factors like low interest rates, an increase in disposable income, continuing stability, a healthy balance of payments, increasing gold price, more industrial and consumer confidence and an improvement in agriculture

"The results of certain retail companies tend to point to the upturn being in full swing — one can hardly argue with the improvement in profits emanating from Edgars, Foschini, Score, Pick 'n Pay, Amrel, World and Ellerine"

These results, however, were largely achieved as a result of lower interest rates and an improved social environment

"True pent-up spending still remains partially unleashed, particularly for semi-durable merchandise"

The retail sector, however, had to look to the burgeoning spending of black consumers to realise where growth really lay

Black customers were the future of the retail industry — and unless retailers realised this the economy would come to a halt, Mr Cohen said

It was very impprtant for retailers to correctly position themselves to the market and the "lifestyle" He believed no store group had repositioned itself as well on the "lifestyle" than Edgars

From small stores with low stocking, they had become the dominant major retailer in almost every SA city "through insight and guts in securing the right location"

Then Edgars had followed by widening the merchanising range, an explosion in fotwear, children's wear and other areas

Mr Cohen said there had been a lot of talk of off-price retailing coming to SA There were a few obviously successful off-price retailers and factories in Cape Town.

However there were three major reasons they would never really succeed in SA — lack of major brand awareness, lack of suitable strip shopping sites and the retailers' (chains) dominance with manufacturers

He said the chain stores' strength of advertising helped them to gain market share

"Our retailers are world class, and the industry is already very competitive The more chains advertise and create customer awareness, the better for the industry as a whole"

"Off-price in America has become fuzzy Speciality stores have affected them, as have rising costs as they move up-market"

More importantly, local chains and particularly department stores had become far more competitive and won black market share, Mr Cohen said

Only in footwear did off-price stores control 30 percent of the market But speciality stores were currently gaining market share

# SA Footwear goes to Conshu in deal

13/8/87 (187) B/Day

LIZ ROUSE

CONSHU Holdings has acquired SA Footwear from SA Breweries in a R36,75m share deal, creating the largest footwear manufacturer in SA.

Projected turnover this year is over R330m, and assets will total over R100m.

The deal is being settled by the issue of 10,5-million Conshu shares to SA Breweries (SAB) at 350c each, giving SAB and Sanlam joint control of the enlarged Conshu group

At the same time Conshu has announced outstanding results for the year to June, with taxed profit at R8,9m — 22,5% ahead of the R7,25m foercast in the prospectus

A final dividend of 6c has been declared for the six months to June, which is 20% higher than the forecast 5c.

The acquisition gives Conshu a strong position in virtually every aspect of the footwear market, with SA Footwear's strengths in the women's fahion and children's shoe sectors complementing Conshu's dominance in the men's footwear market.

Conshu MD Robert Feinblum, who remains chief executive of the enlarged operation, says that the group will now be by far the largest shoe and boot manufacturer in SA, operating from 13 factories.

If the acquisition had been in place for the past full financial year, Conshu's net asset value would have increased to 135c a share from 100c and earnings would have been 33,2c a share compared with the 31c actually achieved

Feinblum says the deal was struck at the right time, in that there is potential for extracting the best out of the enlarged group at a point when consumer demand is improving.

Conshu's turnover leapt 43% to R152,4m in the year to June from R106,5m last year Feinblum says the

● To Page 2

# SA Footwear sold to Conshu

(187) B/Day

● From Page 1

trend of stronger demand has been maintained since the year end

All group factories are running close to capacity, and the enlarged operation will now allow for better use of resources within the bigger group

The added strength leaves Conshu in a far better position to counter the impact of imported footwear, now gaining momentum again in the women's and cheaper sector of the market, says Feinblum.

13/8/87

(187)

BUSINESS DAY, Friday, August 14 1987 

# Conshu deal a big departure for Breweries

KAY TURVEY

THE CONSHU Holdings R25m deal brings SA Breweries (SAB) and Sanlam together as joint controlling shareholders in a departure from current SAB policy.

SAB strategic planning executive Malcolm Wymam said the agreement whereby SAB and Sanlam Investment Corporation Ltd (Sankorp) each now had about 26% in Conshu, was the first joint partnership for SAB in a listed company

For the last 15 years Breweries' interests have been held in wholly-owned subsidiaries About 15 years ago they had a joint holding with Barlows in a company called Barsab which sank without trace in the 1969 share market crash after the assets had been divided

Both Wyman and Sankorp senior GM Attie du Plessis said the deal would not have been considered if not for the profitability expected to flow from it

The deal, settled by the issue of 10,5-million Conshu shares at net asset value, creates the largest footwear manufacturer in SA.

The enlarged group holds about 30% of the known market in value terms, manufacturing 13,5-million pairs of shoes a year of the annual total of 80-million pairs, including imports

The merger increases Conshu's capital base from R30m to R55m.

Conshu MD Robert Feinblum says the rationalisation is expected to increase runs by up to 50% in some lines, while the enlarged operation will benefit from Conshu's R1m investment in computer aided design — the first in SA.

# Conshu Holdings in R36,75m share deal

Cape Times 13/8/87

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**Own Correspondent**

JOHANNESBURG — Conshu Holdings has acquired SA Footwear from SA Breweries in a R36,75m share deal, creating the largest footwear manufacturer in SA

Projected turnover this year is over R330m and assets will total over R100m

The deal is being settled by the issue of 10,5m Conshu shares to SA Breweries (SAB) at 350c each, giving SAB and Sanlam joint control of the enlarged Conshu group

At the same time Conshu has announced outstanding results for the year to June, with taxed profit at R8,9m, 22,5% ahead of the R7,25m forecast in the prospectus

A final dividend of 6c has been declared for the six months to June, which is 20% higher than the forecast 5c

The acquisition gives Conshu a strong position in virtually every aspect of the footwear market, with SA Footwear's strength in the women's fashion and children's shoe sectors complementing Conshu's dominance in the men's footwear market

Conshu MD Robert Feinblum, who remains CE of the enlarged operation, says that the group will now be by far the largest shoe and boot manufacturer in SA, operating from 13 factories

If the acquisition had been in place for the past full financial year, Conshu's net asset value would have increased to 135c a share from 100c and earnings would have been 33,2c a share compared with the 31c actually achieved

Feinblum says the deal was struck at the right time, in that there is potential for extracting the best out of the enlarged group at a point when consumer demand is improving

Conshu's turnover leapt 43% to R152,4m in the year to June from R106,5m last year Feinblum says the trend of stronger demand has been maintained since the year-end

All group factories are running close to capacity and the enlarged operation wil now allow for better utilisation of resources within the bigger group

The added strength leaves Conshu in a far better position to counter the impact of imported footwear, now gaining momentum again in the women's and cheaper sector of the market, says Feinblum

DIAGONAL STREET by JULIE WALKER

# Conshu ready to run faster

ST 13/9/87

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**CONSHU management has been treading carefully down the takeover trail since being listed in March this year.**

Shares issued at 200c are now trading at 430c and look set to grow in the wake of the company's expansion

Subject to Johannesburg Stock Exchange approval, the 30-million shares in issue at listing will be increased to 40,5-million — but the company's turnover will more than double after the deal with SA Footwear

## AGREEMENT

SA Footwear was bought from South African Breweries for 10,5-million shares SAB now holds 26% of Conshu Sankorp, which has always held a stake, owns 29% of Conshu The two have reached a controlling shareholders' agreement

Conshu managing director Robert Feinblum says "This does not affect our day-to-day operations

Mr Feinblum's family has been in shoes since 1933 Conshu was established after a merger between the Feinblum shoe interests and those of Calan

Mr Feinblum says "We are manufacturers, not importers Conshu is the largest manufacturer in terms of pairs of shoes produced, amounting to 30% of SA's production"

Turnover is expected to reach between R330-million and R350-million in the current year

A week ago Conshu announced the acquisition of the Panther manufacturing division from A&D Spitz Panther was something of an anomaly in Spitz, which is essentially a retailer About R5-million will be paid in cash, but more than 90% of it is in stocks and debtors

Conshu financial executive Steven Shein says "It was a good deal for everyone"

Panther gives Conshu the licence to make the prestige Bally range of women's and children's footwear Conshu seems to have bought goodwill at no cost

The group comprises 14 operating divisions and manufactures both under licence and under its own brand name shoes such as Barker, Richleigh, Jack & Jill and Bally

Mr Feinblum says "These brand names are important in recession times when people look for lasting quality"

## MILEAGE

In the year to June 1987, Conshu earned 31c a share, 20% more than the prospectus forecast Although turnover in the current year will more than double, earnings a share will grow by between 40% and 50%, according to management

Mr Feinblum says "SA Footwear was a production-orientated operation whereas Conshu is a customer-orientated company We hope to get better mileage out of SA Footwear under our management style"

SA imports up to 30% of all footwear sold Mr Feinblum believes that an application for increased tariff protection will be made

"When the rand was worth US$0,38, it was easy for SA manufacturers to compete with imports, but at almost 50 US cents now, it is becoming a problem"

Mr Feinblum believes that many cheap shoes are being dumped in SA from Taiwan and South Korea in the wake of American bars against imports to protect its own footwear industry

Conshu's balance sheet could not be stronger It has virtually no debt and the net asset value a share has increased to 136c The market rates Conshu on a historic PE ratio of 14

With the expected lift in earnings in the current year, and the increasing urbanisation of SA's population, Conshu offers steady growth prospects

CONSHU (187) FM 2/10/87

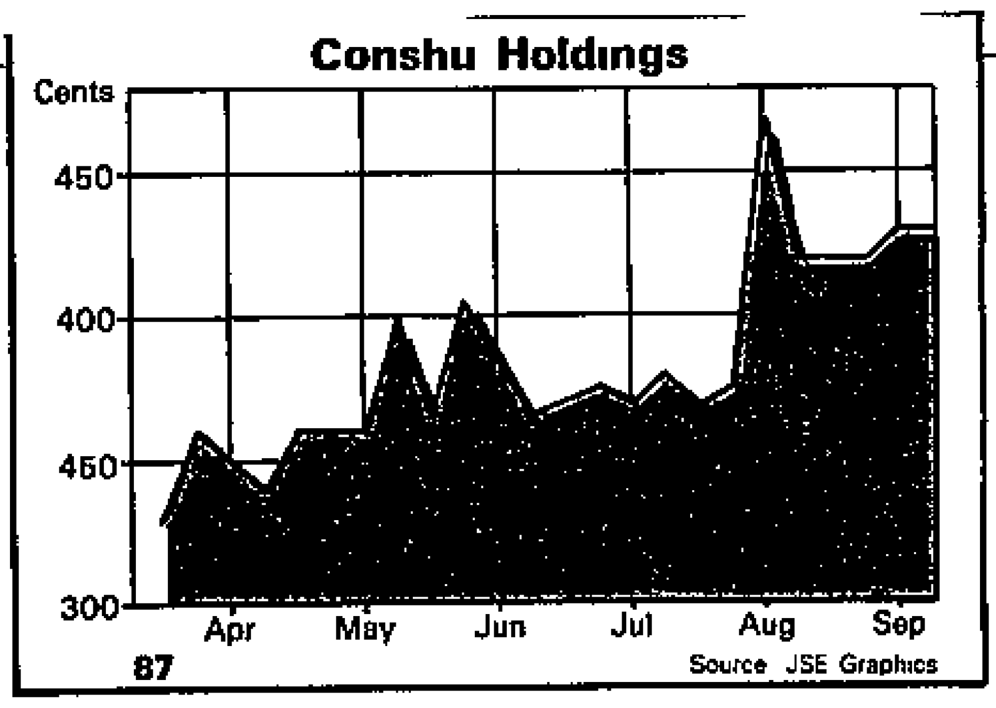
# Quicker step

**Activities:** *Footwear manufacturer*
**Control:** *Sanlam, through Sankor, has a 37% interest Once ratified by shareholders, Sankor and SA Breweries will have joint control*
**Chairman:** *P Grobbelaar, managing director R Feinblum.*
**Capital structure:** *30m ords of 5c each Market capitalisation R129m*
**Share market:** *Price· 430c Yields. 7,2% on dividend, 1,4% on earnings, PE ratio, 13,9, cover, 2,5 12-month high, 480c; low, 295c Trading volume last quarter, 1,6m shares*
**Financial:** *Year to June 30*

| | '87 |
|---|---|
| Debt | |
| Short-term (Rm) | 0,227 |
| Long-term (Rm) | 0,047 |
| Debt equity ratio | 0,9 |
| Shareholders interest | 109,7 |
| Int & leasing cover | 4,7 |
| Debt cover | 54,2 |

**Performance**

| | '87 |
|---|---|
| Return on cap (%) | 32 |
| Turnover (Rm) | 152 |
| Pre-Int profit (Rm) | 21,27 |
| Pre-Int margin (%) | 13,9 |
| Taxed profit (Rm) | 8,9 |
| Earnings (c) | 31 |
| Dividends (c) | 6 |
| Net worth (c) | 100 |




**Conshu's** strong balance sheet and acquisitions made since the listing in March puts the group in a sound position to command a larger slice of the shoe market

CE Robert Feinblum says the acquisition of SA Footwear from SA Breweries (SAB) after the year-end is expected to double turnover to more than R330m and will expand the asset base to more than R100m. The deal, to be settled by issue of 10,5m new shares, will effectively make Conshu the largest shoe manufacturer in SA. A rationalisation programme is planned to enhance productivity and profitability.

Against a background of strong competition from Taiwanese and South Korean imports at the lower end of the market, rationalisation could make Conshu more competitive, particularly if a current application to the Board of Trade and Industry for tariff protection is successful

However, increased production capacity could be restricted by the shortage — and resultant high cost — of raw hides. Feinblum says that if leather shortages persist, the company will move further towards synthetics

The deal with SAB is expected to be ratified before the end of October. It will increase the 30m shares in issue to 40,5m, giving SAB a 26% holding while reducing Sanlam's stake to 29%.

The R5m acquisition of the A & D Spitz manufacturing operation, Panther, gives Conshu the licence to make and market the exclusive Bally range of ladies' and children's footwear and handbags Feinblum says the ladies' shoe sector of the market could be stimulated and describes the deal as "very little outlay for the tie-up of technical expertise with Europe" He says market-branded items are important in recession times when people look for lasting quality.

At R8,8m, attributable earnings for the year to end-June outstripped pre-listing forecasts of R7,2m Capital raised through the listing and this stronger than expected earnings performance leaves the group with virtually no gearing. Interest-bearing debt is a low R274 000 covered 54 times by gross cash flow. Feinblum says that despite a sound cash position and an abundance of offers, no further deals are planned. The present plan is to concentrate on consolidation.

At 430c, Conshu has gained 80c since the SAB deal was announced in August. However, given the p.e of 13,9 times, indications are that investors have yet to appreciate the potential for profit growth. *Kay Turvey*

FOOTWEAR

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## Keeping cats fat

**The government** policy of phasing out tariffs has been sharply reversed by this month's Board of Trade and Industry (BTI) imposition of 30% tariffs on rubber and plastic shoes

And although tariffs are usually applied only to "infant industries" Pretoria has decided that the exceptionally healthy shoe industry needs a helping hand

Last year the industry enjoyed a record turnover of R800m and a return before tax and interest of 5,5% It produced 60,7m pairs, only slightly less than the 62,9m pair record in 1981

But the Footwear Manufacturing Federation argues that its success is precarious and is threatened by the "yellow peril" from Korea, Taiwan and, increasingly, Red China

Import penetration reached 34% in the first half of the year and is expected to average 27% for the year as a whole

Moreover, the FMF claims imports are landing at "prices having no relation to normal costs" FMF director Dennis Linde admits shoes aren't necessarily being dumped, though he says the lack of Far Eastern labour legislation means that exporters' production costs are far lower

"Normal costs are the costs that occur in Western countries Our costs compare favourably with those in Italy and France even though we have a sophisticated Western labour structure But in the Far East workers live on far lower pay"

Head of the footwear unit of the National Productivity Institute Andy Bax says "there has been an improvement in productivity over the last three years although this could deteriorate now tariffs have been imposed and competition will diminish. In the short term extra workers will be taken on to cope with extra demand and this won't help efficiency"

The industry argues job protection and creation was an important consideration in the imposition of the tariffs The additional productive capacity that will result is expected to create between 2 500 and 3 000 extra jobs in what Linde claims to be the third most labour-intensive industry in the country

"We have a choice between protecting the industry and its jobs or allowing it to fall apart," says Conshu MD Robert Feinblum "and in the end the voters will decide"

The tariffs are an "interim measure" until BTI completes its investigation of the industry Although rubber and plastic shoes only amount to 20% of the total footwear market they account for more than 50% of the 20m pairs of shoes imported annually Feinblum is convinced the tariffs will remain in force

"Our production costs are rising much faster than in the Far East and I doubt if we'll ever be able to match their prices In the upper to middle range we can beat them on design but we are vulnerable on mass production," he says

He also argues that the tariffs won't harm the consumer

"At the moment retailers are marking up the shoes 150%-200% so the consumer isn't gaining anything from cheap imports anyway"

That's a theory that the free market would negate If the mark-ups are that large it would leave room for any enterprising retailer to put his competition out of business ■

(BD) (187) 511 B12167

# Chinese sandals seized as import war hots up

By Udo Rypstra

A TOTAL of 15 000 pairs of Chinese-made sandals has been confiscated from a Johannesburg importer after claims of footwear-design piracy by a Stellenbosch manufacturer.

The alleged copyright infringement is the latest battle in the war between SA shoe manufacturers and importers

Claims are made that SA footwear designs have been copied "down to the last stitch" in the Far East The footwear is sold cheaply to the detriment of SA manufacturers.

## Inferior

The Johannesburg importer, Continental Wholesalers, was forced to hand over the sandals pending the outcome of a Supreme Court action in Pretoria to decide whether they are replicas of an SA product or not.

A temporary interdict was granted to a 69-year-old family business in Stellenbosch, Lubbe & Seun It claims they are identical in appearance to its Omega leather sandals, which sell for about R100 a pair

Lubbe & Seun says the look-alike sandals sold under the trademark of Pino Farina are of inferior materials and workmanship.

Mr Justice Roux found that Lubbe & Seun had made out a prima facie case. He ordered the importers to refrain from distributing any similar products until final judgment in the action.

Lubbe & Seun intends to sue Continental Wholesalers for damages, claiming that the sale of the inferior footwear has damaged its reputation and market share.

The SA footwear manufacturing industry is fighting what it calls the yellow peril — South Korea, Taiwan and China.

The R800-million-a-year industry faced an increase in foreign competition earlier this year when the Government decided to phase out tariff protection. But last month it reversed this decision by imposing a tariff of 30% on rubber and plastic shoes.

## Examples

Import penetration reached 34% in the first half of this year and is expected to be 27% for the year — more than the 20% the SA industry is prepared to accept.

The tariff protection was requested by the Footwear Manufacturers Federation of SA (FMF).

Director Dennis Linde says the application to the Board of Trade and Industries was made against the background "of a flood of footwear into the SA at prices having no relation to normal costs".

"Overseas experience shows that once imports take 20% of the market, a point of no return is reached and imports increase rapidly."

As examples, he mentions the US where footwear imports now have 80% of the market and the UK where they have more than 50%.

Mr Linde says the FMF expects the revised duties to reduce footwear imports to about 14% of the market. It would like them to drop to 10%.

With the exception of limited additional protection granted in 1983 for men's leather shoes, which are not affected by the new duties, and tackies, the new duties are the first granted in more than 10 years.

## More jobs

Production by the SA industry is expected to increase by 15% in 1988 to 70-million pairs and provide an additional 2 500 to 3 000 jobs. Because of longer production runs, it is expected that unit costs will fall.

● De Wet Shoes, a subsidiary of Conshu Holdings, has closed its Pinetown plant at a cost of 500 jobs.

# Half of shoe firm's workers retrenched

Argus 16/12/82 (187)

Labour Reporter

ABOUT half the workers at Panther Shoe Company, Maitland, have been retrenched in an operation linking Panther with another Cape shoe company.

Workers retrenched yesterday said they had been offered one week's bonus and two days' pay for every year of service.

Company spokesmen were not available for comment but Mr Douglas Petersen, assistant area organiser for the National Union of Leatherworkers, said about 160 people had been paid off.

It is understood that Panther and Elliott Footwear, Parow, have been acquired by Con Shu Holdings, a Johannesburg-based firm, which will consolidate operations at Elliott's premises in the new year.

Mr Petersen said he had assurances from management that staff at Elliott would not be reduced.

# SA shoe firms set rocking on their heels

Args 25/1/84 187

By DICK USHER
Labour Reporter

THE footwear industry is reeling under a series of shocks which have hit profits and employment.

The manufacturing sector, where employment has been dropping steadily under pressure from cheap imports from the Far East and homeland areas, has been pressing for protection

Interim higher import duties were imposed in November

But the duties, which retailers described as punitive, have seriously affected those selling in the lower end of the market

## Aggrieved

The new duties at least trebled the landed cost of imported shoes.

Mr Rodney Logan, managing director of Scotts, said retailers were aggrieved that they had not been given more warning of the duties

"They came rather suddenly and in many cases retailers with forward orders were forced to ask their manufacturers to sell out-of-hand and carry the resulting losses rather than pay the tariffs and suffer even greater losses

## Can't compete

All retailers pointed to the adverse effects the duties would have on shoe costs for lower income groups

They also claim that South African manufacturers, with small volumes, cannot produce the same range as cheaply as foreign manufacturers

Traditional retailers have also been badly affected by supermarkets moving into their markets in recent years

Retailers have complained to the Board of Trade and Industries about the import tariffs, but an investigation by the board is expected to take at least 18 months

Until then, retailers see little hope of the tariffs being reduced

Manufacturers, on the other hand, complain that imports were crippling the industry

Cheap labour policies, restrictions on trade unions and huge incentives in the homelands have increasingly lured manufacturers there Similar inducements are also offered by the independent states

Mr D H Linde, director of the Footwear Federation, said that at least 24 manufacturers had moved outside the industrial council area in recent years.

"A clicker, which is quite a skilled job, earns about R200 a week in South Africa In the homelands they are paid about R30 while the employer gets a huge kickback of 80 percent of the wage bill for the first year of operation," said a spokesman for a major manufacturer.

They have also been hurt by the volatile situation in the hide market, which has been affected by the drought and exports

Manufacturers have to quote firm for the duration of a range, but when prices rise they have to bear the cost.

# It's smart footwork as Jaguar strides

ST (187)

By Ian Smith

6/3/88

**FOOTWEAR manufacturer Jaguar is stepping out smartly after its listing last August.**

The group increased attributable earnings by 135% to R5,8-million in the year to December 31

Earnings a share jumped by 118% from 7,1c to 15,5c — 29% ahead of the forecast last July

Chief executive Roy Eckstein says the growth was organic The only acquisition was a wholesale operation in Johannesburg whose profits contributed marginally to the group.

Jaguar has declared a dividend of 4c

The company is riding the wave of increased consumer spending, and strong demand for lower- and medium-priced shoes has enabled the company to increase productivity and operating efficiency

The group's divisions in the low labour-cost areas of Lesotho and Qwa Qwa have been expanded to help Jaguar compete with cheap imports Extensions to the Lesotho factory, adding 40% production space, were completed in December

Plans for a separate division to make the Puma range of sports and casual clothing are advanced.

Mr Eckstein says the Board of Trade's decision late last year to impose higher import duties on footwear is a positive move for the industry

Star 7/3/88 187

# Jaguar betters forecast

A 118 percent increase in earnings a share from 7,1 cents to 15,5 cents was achieved in the year to end-December compared with the same period in 1986, Jaguar Holdings report.

The 1987 earnings were 29 percent ahead of Jaguar's forecast in its prospectus in July last year.

Attributable earnings rose by 135 percent to R5,8 million.

Commenting in the report on the figures, Jaguar's chief executive, Mr Roy Eckstein, says the company's growth was entirely organic and was achieved "without benefit from any acquisitions, other than a wholesale operation in Johannesburg whose profits contributed marginally to the group's figure"

Jaguar has declared a final dividend of 4,0 cents — no interim was paid last year as the company was only listed in August. The final "Equates to a 6,0 cent dividend had the company been listed for the entire 1987 year."

Under a share bonus scheme, shareholders are being given the opportunity of either receiving the dividend, or converting it into additional shares

Mr Eckstein says that production capacities have been increased to meet higher demand.

"More specifically, the group's divisions in the low labour cost areas of Lesotho and Qwa Qwa were expanded to enhance Jaguar's ability to compete profitably, with low priced imported footwear products

"In order to stimulate local footwear production, the Board of Trade imposed higher import duties on imported footwear late last year. I see this as a stimulus to local industry to take up the challenge and produce additional pairage to take the place of imported footwear. Jaguar is fully prepared to meet the challenge

"The creation of a separate division to manufacture the Puma range of clothing has reached an advanced stage. The tremendous demand for Puma sports and casual clothing has given impetus to Jaguar to look at manufacturing themselves, in addition to having Puma clothing made for them."

Mr Eckstein says Jaguar's order book is "particularly well booked for this time of the year."

He is confident that the results for 1988 "will continue to manifest the growth pattern displayed to date"— Sapa.

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COMPANIES

# Jaguar up and running

CHERILYN IRETON

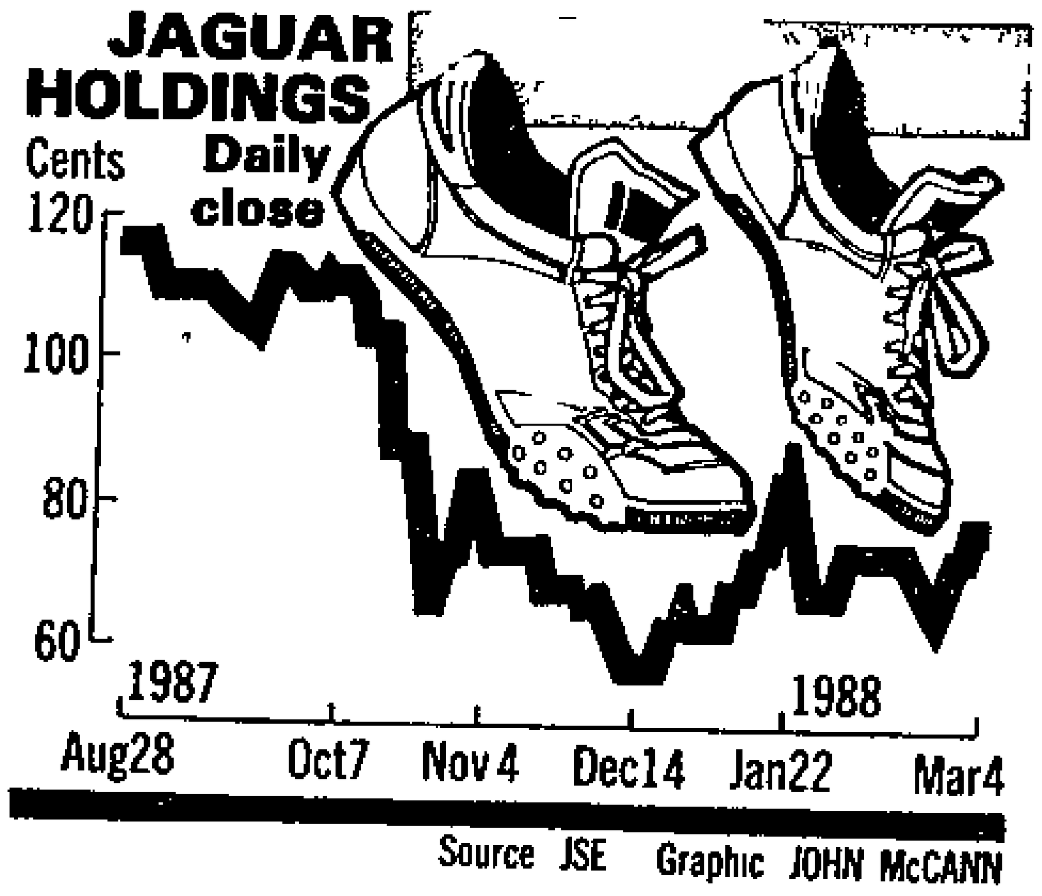
JAGUAR, the recently-listed footwear manufacturer, is to pay a maiden dividend of 4c a share after profits exceeded prospectus forecasts by 29% for the year to end December

Earnings of 15,5c a share were achieved, more than double the 7,1c a share reported in 1986

Meanwhile, Jaguar is to adopt a share bonus scheme which will give shareholders the option of either receiving the dividend in cash or of converting it to additional shares in the group

In line with the dividend of 4c a share, shareholders can elect to receive six bonus shares for every 100 held Based on last week's trading price of 80c a share, the offer appears favourable — especially since the share is on a price/earnings ratio of only 5,2 times, yielding 19,4% on earnings.

During the year, attributable profit rose




Source JSE Graphic JOHN McCANN

135% to R5,8m on only a 20% hike in sales revenue to R48,5m This was achieved by improved productivity and increased operating efficiencies, which led to a 73% rise in operating income Significantly lower interest payments also had a marked affect on bottom line profits

Jaguar CE Roy Eckstein notes that most of the group's growth was organic Only one acquisition was made — that of a wholesale operation in Johannesburg — but its profits had a marginal impact on group figures

Eckstein says the group's balance sheet is stronger than ever before, providing a solid platform for future growth, both organically and by acquisition

At the year end, Jaguar had interest-bearing liabilities of R4,99m against shareholders' funds of R14,1m Current assets totaled R22,1m, against current liabilities of R10,2m

The company has reacted positively to the increase in import duties imposed on imported footwear by the Board of Trade

In a statement Eckstein, says he views this as a stimulus to local industry to take up the challege and produce additional pairage to take the place of imported footwear

(187)

SUNDAY TIMES, Business Times, April 10, 1988

# Shoe retailers hit out at tariff lift

By Don Robertson

**A ROW is brewing between the National Shoe Retailers Association (NSRA) and the Footwear Manufacturers Association (FMA) over import duties.**

The NSRA says increased interim import duties announced on November 13 have resulted in an increase in the price of shoes, especially "specialised" footwear.

The FMA, however, says import duty is needed to protect the industry.

The Board of Trade and Industry has indicated that it will investigate any industry seeking protection by scrutinising more closely wage increases, prices and labour and capital productivity.

## Proof

The NSRA claims to have proof that the reliance on the SA manufacturer and the impact it has on the retailer and consumer have negative implications for all but the manufacturer.

The NSRA and importers have made representations to the Board of Trade and Industry (BTI) for the withdrawal of these additional duties. Before November, the duty on imported shoes was 30%, but in terms of the new formula, it has increased.

Ken Johnstone, chairman of the NSRA, says school shoes which would have retailed at R29,00 in November, now have to be sold for R49,99.

The effect has been most noticeable in cheaper shoes, most of which are either not available from SA manufacturers or are in short supply.

Mr Johnstone says the shoe industry is worth about R1-billion a year, of which about 25% represents imported shoes.

He says that although the import of cheaper shoes has virtually stopped since the new duties were introduced, activity in SA factories — most of which produce expensive shoes — has not increased.

Dennis Linde, executive director of the FMA, says that although duties were increased in some catergories, the industry is in a worse position in some instances.

He says that in 1987, imports increased by 80% over the previous year to R135-million.

"Because of this, the upswing in the economy had no effect on the local industry, imports supplying most of the increased demand."

The BTI's report is expected in June or July. Mr Linde hopes that it will resolve the problem of long-term planning.

# Shoemakers hit out at imports

24/4/88 (187) STimes

**MANUFACTURERS have hit back at the retail trade which has asked the Government for a reduction in import duties on shoes.**

Not only has the Footwear Manufacturers Association (FMA) challenged the retailers, but individual manufacturers claim that if imports continue to increase they may go out of business

Business Times reported on April 10 that the National Shoe Retailers Association (NSRA) had asked the Board of Trade and Industry for a withdrawal of the higher import duties which came into effect last November The higher duties affect lower-priced shoes in particular

## Employment

Manufacturers say that the rise in imports late last year to more than 40% of total sales placed the industry in jeopardy

Stewart Dodo, group managing director of Edworks, says imports should be kept to 10% of total sales if employment in the SA industry is to be maintained.

By Don Robertson

Mr Dodo believes his views are balanced His company is involved in the manufacture of shoes, wholesaling and retailing.

Last December, the manufacturing industry employed 29 000 people, but the figure fell to 27 800 in February 1988 Employment in associated industries, such as tanning, would double these figures.

Rising imports, say manufacturers, are largely responsible for the decline in employment.

In 1985, imports were worth R82,8-million, rising to R86,7-million in the following year. However, imports soared to R135,5-million in 1987.

Higher imports are also hitting SA's growing export market by upsetting profitability. Last year exports were worth more than R10-million.

Mr Dodo says that in the last few months of 1987, imports soared and in January this year — the latest available figures — they doubled compared with the same month in the previous year

This was in spite of the increase in duties from an average formula of 50% before November.

Mr Dodo also disputes the claim by Ken Johnstone, chairman of the NSRA, that the price of shoes has increased because of higher import duties As an example, Mr Johnstone said the price of a pair of school shoes had increased from R29 in November to about R50 today.

Mr Dodo says school shoes can be bought for between R25 and R27 a pair.

## Capex threat

The higher imports have also harmed SA production In January, production was down 21% in spite of the improvement in the economy

Since the beginning of the year, Edworks has discussed the industry's problems with the Board of Trade and Industry and with the deputy Minister of Economic Affairs and Technology, Theo Alant.

In these discussions, Mr Dodo said that if import duties remained at the present level, his company would have to review its capital expenditure programme.

# Bolwear profits leap 62%

CPT Times 25/4/88

187

JOHANNESBURG — Bolton Footwear (Bolwear) has shown some excellent results with after-tax profit jumping by 62% to R4,6m (R2,8m) for the year to February, 1988

The rise in net income means a maiden dividend of 5c and a jump in earnings per share from 13,08c to 22,78c

Turnover rose from R78m to just under R95m

Deputy chairman Brian Puchert says the strong performance resulted from a number of factors, but was mainly due to the efforts of management to contain costs, increase sales and as a result increase factory production

He said "Because of the leaner position, the company is well placed to maximize the benefits of stronger consumer demand and a shift in buying habits to better quality merchandise." — Sapa

# Bolton changes produce results

6|day) (187)

25|4|88 KAY TURVEY

BOLTON Footwear has reported a 62% rise in attributable earnings for the year to end February, supporting the restructuring operation which preceeded its separate floatation on the JSE last October.

Attributable earnings rose to R4,6m for the year to February — well up on pre-listing projections. Earnings a share are 33% up on propectus forecasts at 22,78c, from which a maiden dividend of 5c has been declared

Deputy chairman Brain Puchert says the strong performance is mainly due to containing costs, while increasing sales and factory production.

Turnover rose 22% to R94m and operating margins surged from 7,1% to 9,1% as all divisions improved profitability.

Puchert says the disposal of certain retail interests in the southern Cape contributed to this heightened profitability

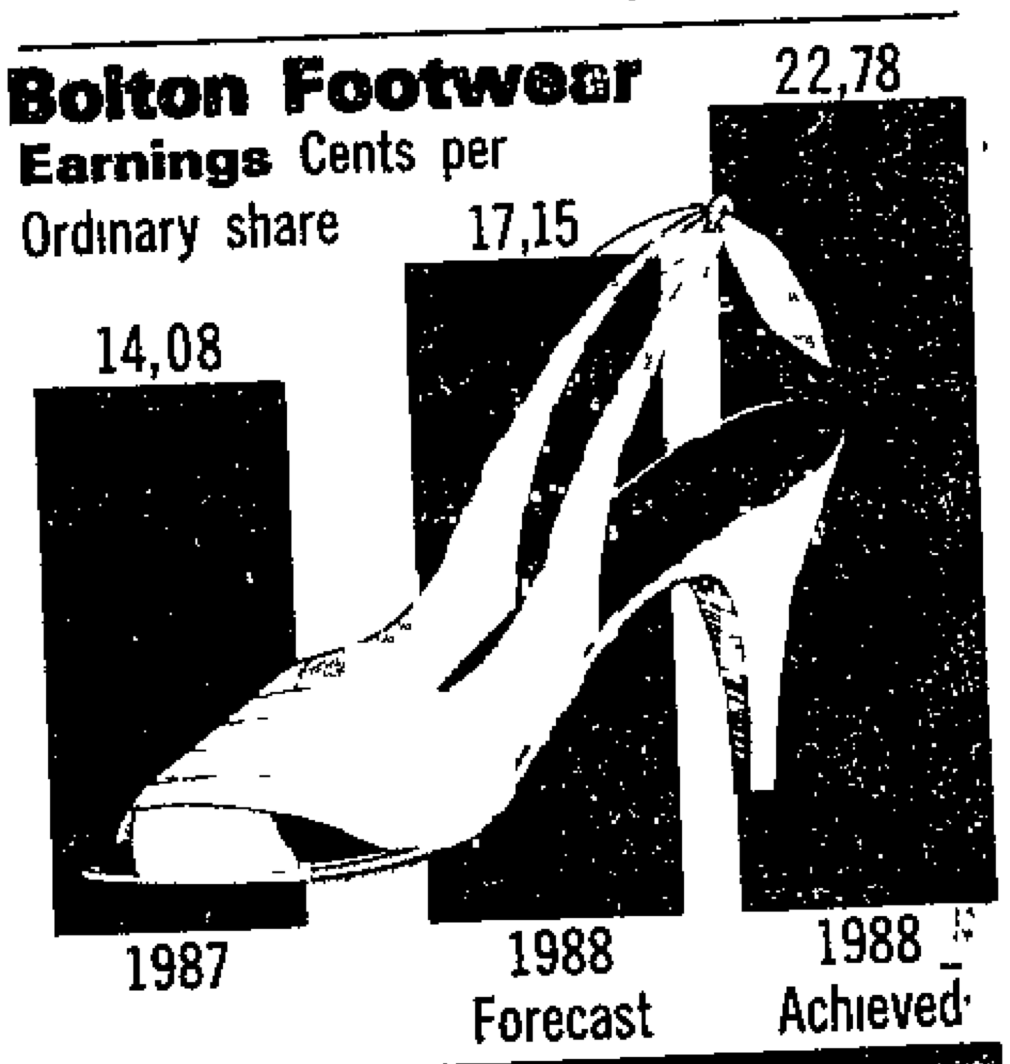
Because of the leaner position, he says the company was well placed to maximise the benefits for stronger consumer demand and a shift in buying habits to better quality merchandise.

Puchert predicts strong earnings growth well ahead of inflation for the current year. He says the group with gearing at a mere 6% is poised for significant expansion through both acquisition and grassroots developments in both footwear and non-footwear operations.

Non-footwear investments, which include three motor dealerships and two timber construction operations in the western Cape and Mossel Bay, are already benefitting from the rejuventation of business in the Mossel Bay area.

Puchert says the heightened level of

● To Page 2




Source BOLTON FOOTWEAR Graphic JOHN McCANN

## Bolton's changes lead to laudable results

(187) 6|day) 25|4|88

● From Page 1

business activity is expected to dramatically enhance the profitibility of these concerns.

Puchert paid tribute to Desmond Bolton — the chairman for the past nine years untill his death earlier this month.

However, he says the company's experienced management team had already been complemented by the addition of Sid Finlayson as MD, who joins Bolwear with a solid reputation in the shoe industry.

# Bolton Footwear beats forecasts

Star 25/4/88

187

By Sven Lünsche

In its first year on the JSE, Bolton Footwear, which was listed in October 1988, boosted its attributable income for the year to end-February by 62 percent to R4,6 million

Earnings per share were up 33 percent on the 22,78c, which was forecast in the prospectus, while a dividend of 5c has been declared

Turnover improved by 22 percent to R94,968 billion and on better margins — up from 7,1 percent to 9,1 percent — profitability improved in all divisions of the company.

In line with the rest of the durable and semi-durable retail sectors, footwear sales have been soaring since consumer spending started to pick-up dramatically in the second half of last year.

As one of the leaders in the industry, Bolton's sales have soared since then and are expected to show further improvement in the current financial year.

Despite the decline in the property market, Bolton Properties reported an improvement in earnings per share by 28 percent to 7,8c per share on the figure forecast in the prospectus.

A maiden dividend of 3,5c per share has been declared, compared to a forecast figure of 3c.

Turnover rose by 15 percent to R1,65 billion

# Bolton's best foot forward

DTb 26/4/88 (187)

JOHANNESBURG — Bolton Footwear has shown excellent results with after-tax profit jumping 62 per cent to R4,6 million (R2,8 million) for the year to February

The rise in net income means a maiden dividend of 5 cents and a jump in earning a share from 13,08 cents to 22,78 cents Turnover rose from R78 million to just under R95 million

The managing director, Mr Brian Puchert, says the strong performance was mainly due to the efforts of management to contain costs, increase sales and as a result, increase factory production

He said "Because of the leaner position the company is well placed to maximise the benefits of stronger consumer demand and a shift in buying habits to better quality merchandise"

Mr Puchert said that possible acquisitions were already being examined which would complement both the manufacturing and retail operations In addition, the commany's factories had the capacity to expand their manufacturing facilities at nominal cost

He said negotiations were in progress to add to the brands already manufactured by the group

Mr Puchert said the foundations had been laid for significant expansion this year and expected earnings to show a significant increase in the current financial year — Sapa

# Boltons gets leg-up from Footwear

STAR 31/5/88

187

By Ann Crotty

A better than expected performance from 74 percent held Bolton Footwear enabled Bolton Industrial Holdings to exceed its earnings forecast of 108c per share by almost 19c. For the year to end-February the group reported an 18 percent increase in earnings to 126,7c per share from 87,6c.

A dividend of 24c a share has been proposed which is well ahead of the forecast 18c that was also made in last August's transmuted listing statement. The increase in dividend is in line with management's policy of distributing all of the dividend income that it receives from its subsidiaries.

Group turnover was up 21 percent to R216 million from the previous year's pro forma turnover of R179 million. As a result of the listing there was a sharp drop in interest paid from almost R2 million to R549.000. Net income increased 44 percent to R6,5 million from R4,5 million.

These are the first figures from Bolton Industrial Holdings which was formed last year following the restructuring of most of what was Desmond Bolton Industries into Bolton Properties, Bolton Footwear, Cargo Carriers and pyramid company, Bolton Industrial Holdings.

Joint managing director, Brian Puchert, states that the balance sheets of the operating companies are strong with negligible gearing and healthy cash positions especially at Cargo: "This has opened numerous avenues for expansion through both acqusitions and new business projects."

He adds that the group is now structured for growth and that suggestions, following the recent death of founder Desmond Bolton, that parts of it might be sold are wrong.

JAGUAR (87)

# Sound footing

**Activities.** *Manufactures and distributes footwear and footwear components, and distributes sports clothing*

**Control:** *Directors hold 59%*

**Chairman:** *R S Eckstein, managing director J P Ward*

**Capital structure:** *42m ords of 1c each Market capitalisation R24m*

**Share market:** *Price 75c Yields 5,3% on dividend, 21% on earnings, PE ratio, 4,8, cover, 3,9 12-month high, 100c, low, 25c Trading volume last quarter, 980 000 shares*

**Financial:** *Year to December 31*

| | '87 |
|---|---|
| Debt | |
| Short-term (Rm) | 4,3 |
| Long-term (Rm) | 0,6 |
| Debt equity ratio | 0,31 |
| Shareholders interest | 0,63 |
| Int & leasing cover | 5,50 |
| Debt cover | 1,29 |

**Performance**

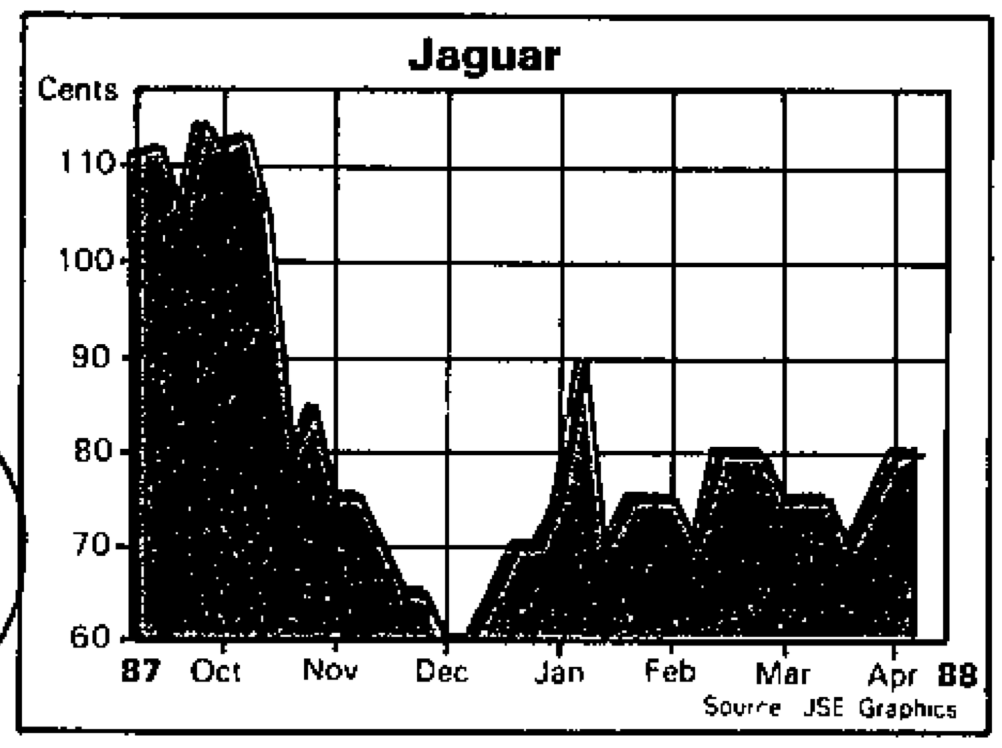
| | '87 |
|---|---|
| Return on cap (%) | 27,4 |
| Turnover (Rm) | 48,5 |
| Pre-int profit (Rm) | 6,9 |
| Pre-int margin (%) | 14,1 |
| Taxed profit (Rm) | 5,8 |
| Earnings (c) | 15,5 |
| Dividends (c) | 4 |
| Net worth (c) | 37,6 |

**Chairman Roy** Eckstein says the group has concentrated on expansion of its current activities, with emphasis on those areas in the footwear and clothing industries where further inroads can be made The intention is to pursue this policy in the current year

Growth last year was almost entirely organic, with a small contribution to the profit increase from the wholesale business acquired during the year Turnover rose 20%, while net income after tax increased from R2,5m in 1986 to R5,8m The bottom line figure was helped by a low tax rate, which was only 5,2%

Events during the year included extensions to the shoe factory building in Lesotho, further development of the shoe factory in Qwa Qwa, updating and expansion of machinery in all factories to increase production capacity, acquisition of a Johannesburg-based footwear wholesaler, importation of footwear products to expand product ranges, and there are plans to create a separate division to manufacture the Puma range of clothing

In the 1988 year, Eckstein expects expansions in various areas, including a 30% boost to capacity of the injection moulding plant where heel and sole units are made, and




expansion of the Mustang factory in Lesotho, where machinery to manufacture school shoes has been acquired Production of products, such as Puma sports footwear and training shoes, is being increased Growth should also be boosted by a range of lower-priced ladies' sandals, shoes and moccasins which are manufactured in Qwa Qwa

Profits earned by the Lesotho factory continue to enjoy tax-free status, except for a withholding tax on any dividends remitted Eckstein adds that, although normal company taxation charges will have a more significant effect on net profits in 1988 with the absorption of its assessed losses, the board is optimistic that the year "will reflect strong growth in after tax profits."

Profits for the first four months of the year are said to be well up, making the 4,8 times p e on the current price look low

*Louis Venter*

FM 20/5/88 (87)

ort

# 'Protect job-creators from cheap imports'

CAPE TIMES 24/5/88 187

**Investment Editor**

A COMPANY which creates jobs is worthy of protection from the dumping of cheap imports, writes Bolton Footwear's chairman, W F de la H Beck, in the company's annual report.

At the same time, Budget Footwear's chairman, G D de Jager, writing in that company's annual report, says local footwear manufacturers cannot simply rely on government protection

Beck says "an industry as labour intensive as footwear manufacturing should enjoy more protection from low-priced and often-subsidised imports if job creation is to receive the attention it deserves"

"Arguments that lower-cost imports contribute towards holding down inflation, are, in my opinion, theoretical when balanced against the value to the country from the benefits (of) job creation, and, particularly, when this takes place in rural areas"

Beck stresses that priority must be given to job creation, and more attention given to labour-intensive industries and the benefication of raw material

Budget Footwear's De Jager points out that while SA has been forced to foster certain industries as strategic, the policy has spread to some which are not "realistically strategic", and there is thus the danger that "funds and efforts are unproductively employed in areas where no competitive advantage exists", writes our Durban correspondent

De Jager said that dumping was another question which was difficult to prove, but it was obvious there was something wrong when goods were being sold at prices below the cost of the raw materials for local manufacturers

Such a situation would demand import protection, he said

De Jager expects the current reasonable level of growth to continue for most of the year, but to weaken in the last quarter

Beck is more optimistic regarding the outlook for Boltons, and he expects the restructuring of the group to contribute significantly to growth

LO - LI

AREA A: Klip Ri

AREA B:

AREA C: Benoni, Uitenha

AREA D:

# Call for more protection for labour-intensive shoe industry

187

B/day 30/5/88

KAY TURVEY

THE labour-intensive footwear industry should enjoy more protection from low-priced and often subsidised imports, if job creation is to receive the attention it deserves

In the latest annual review, Bolton Footwear chairman Bill de la Harpe Beck says arguments that lower cost imports hold down inflation are theoretical when balanced against the value of job creation, particularly in rural areas

Footwear manufacture operates effectively away from metropolitan areas and requires the development of local skills, argues Beck

The upward pressure on footwear prices because of escalating leather costs and rising wage demands from organised labour were not always possible to recover in the market-place

Effort and ingenuity have been required to partially balance these increased costs with increased productivity, says Beck

The shortage of local leather has seen the price rise from below 100c a kilogram in 1983 to over 400c/kg by the end of 1987, he says

# Footwear industry strike looms

Argus 22/6/88

Labour Reporter

THE first national strike in the footwear industry is looming following the breakdown of wage negotiations.

Mr Freddie Swartz, general secretary of a federation of the two main unions in the industry, said strike ballots were due to take place among 27 000 workers in the next few days

He said negotiations for a new main Industrial Council agreement started in March and deadlocked last week, with the union demanding increases of about 30 percent overall and the management offering 12

(187) FM 24/6/88

FOOTWEAR

# Down-at-heel

**The footwear** manufacturing sector is on a decline. Local production increased by only 0,4% in 1987 and the Footwear Manufacturers' Federation (FMF) blames this solely on imports

They say that local footwear production, at 61m pairs last year, had a market share of only 67% compared with 79% in 1986 (see **graph**)

The easy response is to blame foreign competitors

But National Shoe Retailers' Association

24/6/88 (187) FM

(NSRA) president Ken Johnston says the manufacturers themselves must share the blame for their problems

"There has been a large increase in demand for fashionable, but casual shoes The local industry has been unable to readjust to this demand and so we have had to import to make up for it The formal shoe market, which is highly competitive locally, has not been seriously affected "

But, according to the FMF, experience in Western countries has shown that once import penetration reaches 20%, the trend accelerates until eventual destruction of the local industry takes place

Johnston replies "If you don't make what the customer wants, you can't survive in any business The manufacturers have been unable or unwilling to keep an eye on fashion trends and find out what retailers' needs are."

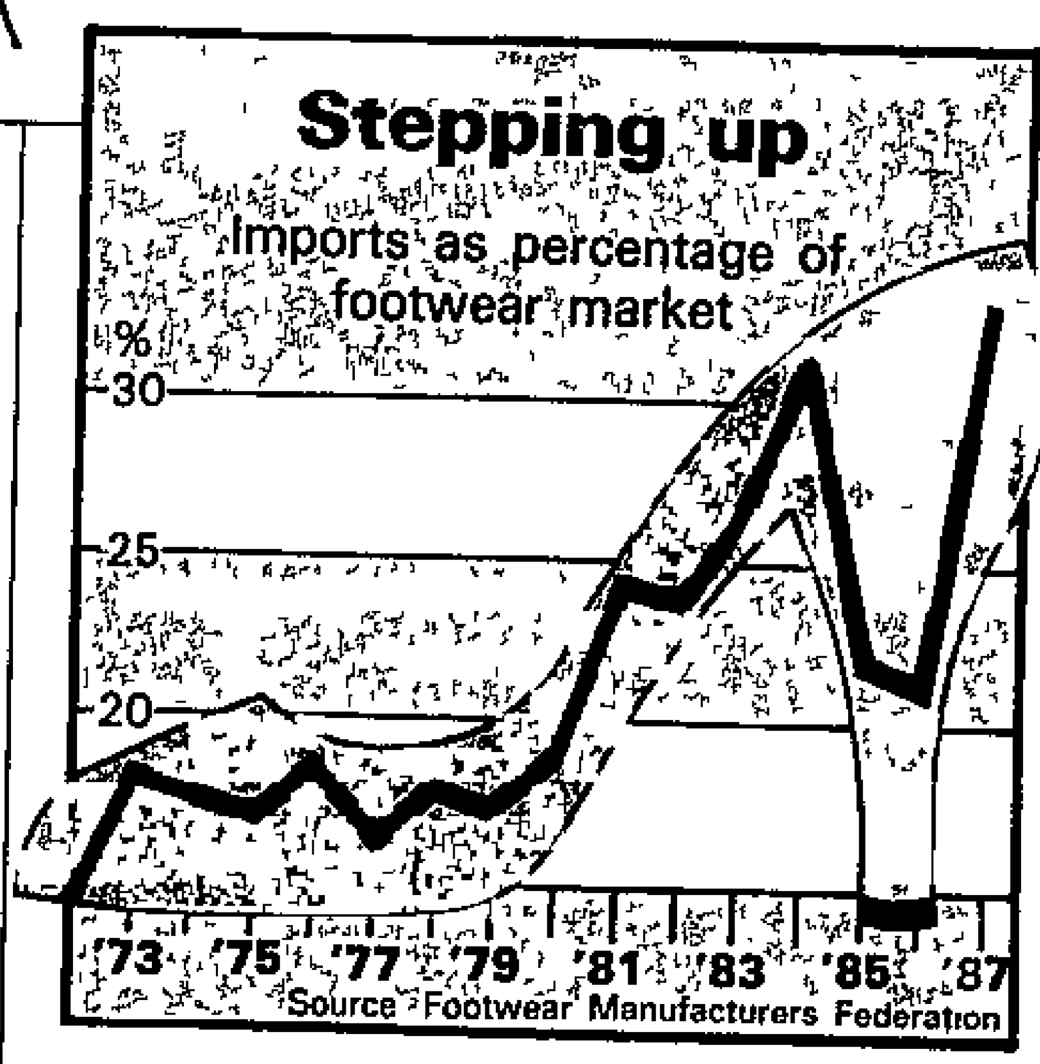
Since interim duties on plastic and canvas shoes were introduced in November, tariffs on some shoes have gone up by 400%, even though shoes were originally imported as demand could not be met locally

Continues Johnston: "The idea that shoes are dumped from the Far East is unfounded A falling rand has made importing prohibitive and the Taiwanese currency is being revalued significantly

"But the Taiwanese make a point of finding out exactly what the customer requires and then manufacture to that requirement. South African companies have stuck to the old system of bringing round a range and taking orders "

The NSRA says a three-month survey — after the November tariffs were introduced — discovered that·

☐ 250 000 pairs of shoes were delivered late by local manufacturers. Retailers' advertising and promotions were affected, and




☐ Many locally made shoes were returned to manufacturers because of poor quality

In a submission to the Board of Trade and Industry, the NSRA says it must choose between defending the local retail industry and customers' interests, or allowing manufacturers continued protection. ■

ARGUS



# Footwear pay row: Urgent talks today

Labour Reporter

ATTEMPTS are being made today to settle a wage dispute which threatens to erupt into a national strike of the footwear industry's 27 000 employees.

Employers and union representatives will meet through the national disputes committee of the footwear industrial council.

Unions in the industry are going ahead with a strike ballot.

Mr Freddie Swartz, union spokesman, said Johannesburg workers had voted overwhelmingly for a strike. Ballots in the Port Elizabeth, Durban/Maritzburg and Cape Town regions would be completed towards the end of the week.

Negotiations for a new main industrial council agreement deadlocked over wages about two weeks ago. Unions demanded an increase of about 30 percent and the employers offered about 12 percent.

BUDGET FOOTWEAR (187) FM

1/7/88

# At a sprint

**Activities:** *Supplies basic, popular-priced footwear through Budget Footwear, processes ethyl vinyl acetate through EVA Components, and makes unit soles through Natal Component Products*

**Control:** *Lenco Holdings owns about 77%*

**Chairman:** *G D de Jager, managing director R Geyser*

**Capital structure** *32,5m ords of 14c Market capitalisation R31m*

**Share market:** *Price 95c Yields 5,3% on dividend, 19,5% on earnings, PE ratio, 5,1, cover, 2,9 12-month high, 100c, low, 65c Trading volume last quarter, 5,2m shares*

**Financial.** *Year to February 29*

| | '87* |
|---|---|
| Debt | |
| Short-term (Rm) | 0,02 |
| Long-term (Rm) | 0,13 |
| Debt equity ratio | — |
| Shareholders interest | 0,65 |
| Int & leasing cover | — |
| Debt cover | 36,8 |
| **Performance** | '87 |
| Return on cap (%) | 28,6** |
| Turnover (Rm) | 40 |
| Pre-int profit (Rm) | 4,4 |
| Pre-int margin (%) | 11,1 |
| Taxed profit (Rm) | 4,7 |
| Earnings (c) | 18,5** |
| Dividends (c) | 5,0 |
| Net worth (c) | 46,7 |

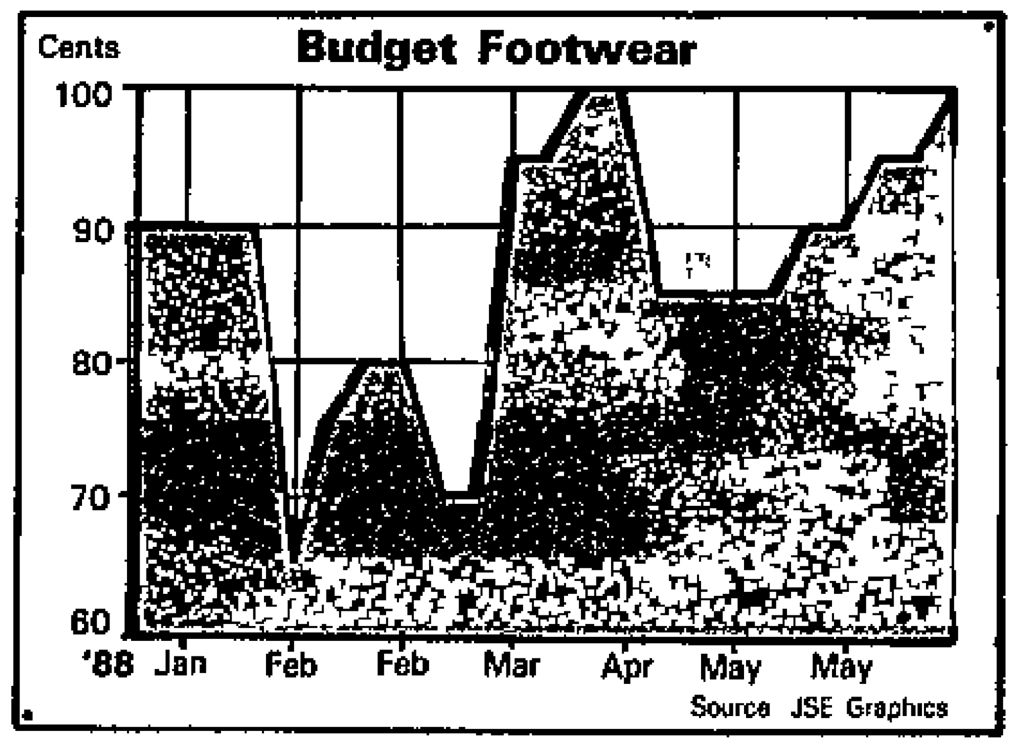
*Eight months financial period
**Annualised

**Net income** for the full year from March 1987 was R6,024m compared with the forecast of R4,6m in the transmuted listing statement Chairman Douglas de Jager says the group enjoyed a "dramatic" surge in turnover and profits from September through to February All three divisions performed strongly over this period and ran virtually at full capacity

The group was listed last December via the takeover of the Svenmill cash shell, which was renamed Budget Footwear with the deal backdated to July 1 The R29,4m cost of the transaction, including goodwill of R16,604m, was funded out of cash resources in Svenmill and a R19,5m rights issue held in January Parent company Lenco Holdings underwrote the issue and at year-end held 93,22% of Budget although this has since been reduced to just under 77%

At year-end the balance sheet was liquid, reflecting cash flow and the original resources Interest-bearing debt of R148 000 was matched by cash balances of R3,9m while the current ratio was a sound 2,5 times Based on the figures for the eight months to end-February, profitability has been high (see table)

Budget produces 17 000-18 000 pairs of




footwear daily, concentrating on middle- to lower-income markets where volumes are high enough to sustain the manufacturing operations.

MD Rudi Geyser tells me demand has remained firm, and orders on hand are sufficient to keep production capacity fully booked until the end of December "If the retail trade has a reasonable Christmas we should have a good winter too," he says He doubts that demand will be much affected by rising interest rates as most of the footwear the group produces is ultimately sold by retailers for cash.

For the current year De Jager forecasts better than inflationary growth at operating income level, but with tax becoming a factor, the same growth will not be enjoyed in EPS

At 95c, the share is more than double tangible net worth but offers a reasonably attractive historical p e of 5,1 times

*Andrew McNulty*

(187) FM 1/7/88

# Jaguar set to take Coastal

KAY TURVEY 187 B\day

JAGUAR Holdings, the footwear manufacturer listed last year, is set to acquire Natal based Coastal Clothing, which also came to the board in 1987.

The market expected rationalisations to follow the spate of listings last year and this acquisition can be seen as one of the first.

It is reliably understood the deal will include a cash and share consideration. Both Coastal and Jaguar shareholders have been advised to exercise caution, as negotiations which could affect the price of the shares are underway.

● To Page 2 5\7\88


# Jaguar to purchase Coastal Clothing

187 B\day ● From Page 1 5\7\88

The takeover is in line with international trends, where footwear and clothing manufacturers are increasingly coming together

Jaguar which reported a 135% rise in attributable earnings to R5,8m for the year to December has been looking to step up its involvement in clothing manufacture

It is in the process of setting up a separate division to manufacture its Puma range of sports clothing

Jaguar's shares issued at 75c in August last year have held up well in the present dull market and have been trading steadily at around 70c for the past two weeks, after hitting a low of 50c after October's market crash

Coastal Clothing has fared less well since its listing just prior to October's black Tuesday The shares are currently trading at a discount of about 50% to their 100c issue price, having recovered from an April low of 43c

MANUFACTURING — Footwear

1988

# Conshu gets a rubber processor

5/8/88

ARI JACOBSON

FOOTWEAR manufacturer Conshu Holdings has acquired a R7,3m rubber processor from Edworks

It is the footwear group's third acquisition in a year

The acquisition will have no significant effect on earnings or net worth for the year to end-June — the results for which are expected in the next few weeks

But Conshu CE Robert Feinblum says it will have an impact on future earnings in the short to medium term.

The transaction will be settled by a R3,76m cash payment and the issue of 1,2-million Conshu ordinary shares at 295c

Feinblum says "The share issue will not dilute current or future earnings a share as the shares being floated are insignificant in comparison with the acquisition"

The Edworks business, located in Port Elizabeth, "will broaden the production base and strengthen the group's non-footwear involvement in the building, mining and chemical industries"

N WILL BOOST SABLE

11/8/88 (187) B/Day

COMPANIES

# Spitz now leaner

LIZ ROUSE

M & S SPITZ Footwear Holdings (Spitz) is on the right track, after shedding its manufacturing division, and is now cashing in on improved consumer demand

Attributable taxed profit, before costs of closure of the manufacturing division, leapt 75% to R2,4m (R1,4m) in the year to May equal to 36,3c a share (20,8c).

The final dividend is the same at 7c but total distribution is 10c (7c) as a 3c interim was paid.

Closure of the factory cost R1,08m but that is a one-off cost against profits.

The balance sheet is now healthy and Spitz intends to expand in the retail sector

Group turnover amounted to R37,1m (R36,2m)

This includes sales of R7,1m (R11m) by the manufacturing division to October 1987, the effective date of the division's disposal.

Turnover for the retail division therefore totalled R30m, up 18,6% on the previous year.

Chairman Anthony Spitz says a careful evaluation was made at the beginning of the 1988 year of the group's capital investment alternatives for its long-term growth

The shoe and handbag division and factory premises were sold, resulting in a substantial release of capital and reduction in debt in the second half.

There are no long-term liabilities and bank finance has been cut to R588 000 (R6,5m)

The group is now totally involved in the retail sector "where it enjoys unequalled reputation for providing its customers with the highest quality merchandise and dedicated service in the most attractive store settings", says Spitz

Its well-entrenched exclusive brands are being extended by more people desiring quality merchandise and superior service.

The geographic spread of its network of outlets allows the group to capitalise on these strengths

The opening of several new stores is under consideration

The Sandton City flagship will be expanded by 300m² to bring it to 1 300m².

This store's performance has been outstanding, both as a generator of turnover and of profit contribution, and the new extension should add handsomely to performance from November this year

Although Spitz foresees a levelling off in the economy, and bearing in mind the particular volatility that surrounds business in SA, he is nevertheless confident that the group will achieve further profit growth in the current year.

Group stores are more heavily stocked and turnover was up 40% in the first two months of the new financial year.

CAPE TIMES 19/8/88

# Conshu posts 41% rise in earnings

187

JOHANNESBURG — Following a year of acquisitions and organic growth, footwear manufacturer Conshu Holdings posted a 41% rise in earnings for the year ending June 30.

The increase in earnings per share to 43,8c from 31c in the previous year enabled the final dividend to be increased to 10c from last year's 6c

This made a 2,5-times covered total payout of 17,5c

The group's turnover, at R329m, was more than double the R152m posted for the previous financial year, with much of the increase coming from the merger with SA Footwear but also substantial growth from the existing Conshu operations

Pre-tax profit rose to R35,8m from R19m, with operating margins slightly down on the previous year both as a result of the integration with SA Footwear and management efforts to keep selling-prices down for market-share purposes

Subsequent to the year-end, the group strengthened its position by acquiring a rubber plant in Port Elizabeth. — Sapa

# Lower prices trim Conshu's margins

B/Day 17/8/88 (187)

ROBERT GENTLE

FOOTWEAR manufacturing giant Conshu has demonstrated the benefits of a year of acquisitions and organic growth by doubling attributable earnings to R17,7m (R8,9m).

This was achieved on turnover of R329m, more than double last year's R152m and comfortably ahead of the expected R300m

However, while the synergy resulting from the merger with SA Footwear boosted turnover, operating profit did not benefit in the same proportion This, combined with lower prices in the interests of market share, saw operating margins fall from 13,6% to 11,5%

Earnings rose 41% to 43,8c a share (31c), enabling the final dividend to be increased from 6c to 10c a share. The total dividend for the year of 17,5c a share is covered 2,5 times by earnings

Commenting on the company's performance, chairman Robert Feinblum said increasing pressure from competitive imported footwear had played an important role in many of the industry decisions taken last year

He welcomed the protective measures taken by government in this regard, but indicated the shoe industry would not need them if it did not have to contend with such factors as high labour costs, shorter working hours, lower worker productivity, high inflation and an ever-weakening rand

"All these have to be paid for," he said, and cited the fact that Conshu had been forced to take out forward cover on the foreign exchange front to forestall any further weakening of the rand, which he said would raise the already high cost of imported materials like leather

Feinblum said, though, that with the benefits of the now leaner and fitter Conshu expected to flow through within the coming year, real earnings growth should continue

He did not expect the government's recent austerity package to seriously affect Conshu's business "Our research shows that there is no substitute for footwear in the foreseeable future," he said drily

The balance sheet continues to show exceptional strength, with good liquidity, healthy working capital and essentially zero gearing

# Step towards shoe giant

B/day (187) 9/9/88.

KAY TURVEY

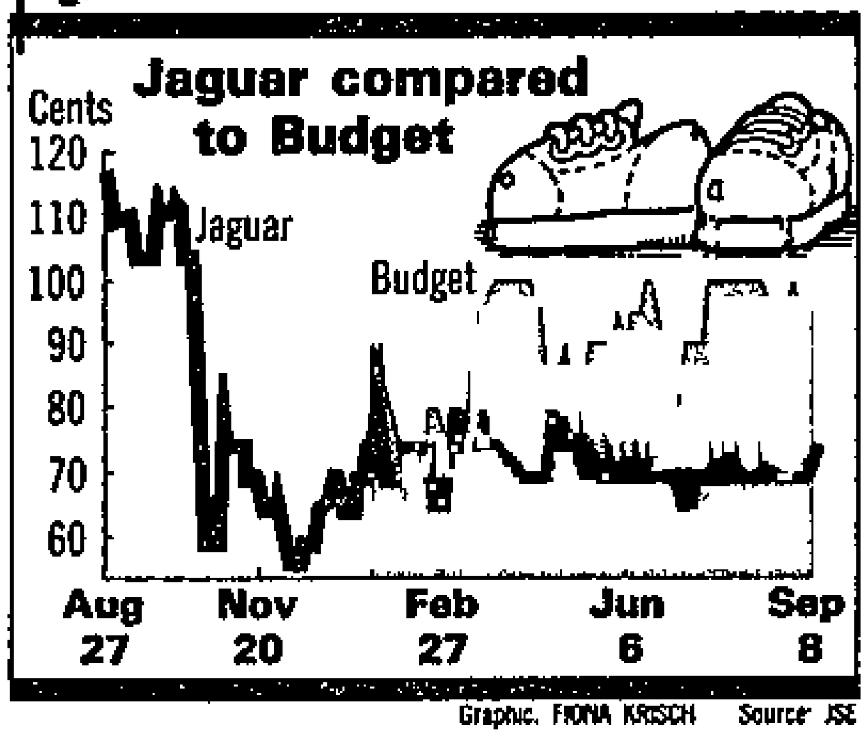
**JAGUAR and Budget are to merge to form a new giant in the footwear industry with a turnover of more than R130m.**

The deal, in which Jaguar will acquire Budget's assets for about R30,54m in cash and shares, follows hard on the heels of Jaguar's acquisition of Natal-based Coastal Clothing in July

Jaguar, which has posted an impressive performance since listing in August last year, will change its name to Amalgamated Shoes Limited (Amshoe) and act as a holding company for the business of both Jaguar and Budget

Budget, which will become a cash shell, is to pursue acquisition opportunities The R30,45m paid to Budget equates to 93,8c a share, slightly below the current price, which remained unchanged at 95c yesterday

Jaguar will pay Budget R20,44m in cash and the balance will be settled by the issue to Budget of 14,286-million shares



Graphic: FIONA KRISCH Source: JSE

Budget and major shareholder Lenco are to offer the share consideration to be received by Budget to Budget shareholders in a rights issue underwritten by Lenco at 70c a Jaguar share

Jaguar's shares are currently trading at 75c, having risen 5c yesterday

The deal will result in Lenco acquiring 11,567-million Jaguar shares at 70c in addition to those obtained from the rights issue

Had the deal been effective for the year to end-December 1987, the effect on Jaguar would have been to increase EPS from 13,8c to 16,9c The merger and Coastal Clothing acquisition would have boosted net asset value to 45,9c a share, compared with 36,6c in 1987

Jaguar CE Roy Eckstein, who becomes CE of Amshoe, says the merger will increase operational efficiency and improve buying power while affording the rationalisation of expenditure

Jaguar and Budget, positioned among the top four footwear manufacturers in SA, each manufacture about 20 000 pairs a day

Eckstein says the deal opens the way for exports and enhances opportunities for import replacement The footwear industry has taken a knock from imports, particularly from the East

# Jaguar earnings have seven-league boots

187

14/9/88

KAY TURVEY

JAGUAR footwear manufacturer continues to exhibit exceptional growth and showed a 34% increase in attributable earnings to R3,6m (R2,7m) for the six months to the end of June

The company, which has posted an impressive performance since listing last August, reported earnings a share up 30% to 8,4c (6,5c)

On a 16% rise in turnover from R23,1m to R27,2m operating margins surged and operating profits climbed 31% to R4,2m from R3,2m

Contained borrowing resulted in a fall in interest paid, boosting pre-tax profits 48% to R4,1m

The balance sheet is healthy with debt to shareholders' equity down from 31% to 29%

The group, which has been blazing an acquisition trail recently, waived interim dividends to preserve funds to pay for the R5,7m acquisition of Coastal Clothing in July and the recently announced R30,5m merger with Budget Footwear

However, directors say a final dividend will be paid for the year at not less than the 4c paid for the 1987 financial year

Future growth is expected from the Coastal acquisiton (These results do not include this purchase )

MD Roy Eckstein said a significant contribution was expected from the development of their clothing line

Further benefits are expected from the Budget merger as both companies are positioned among the top four footwear manufacturers and production does not overlap by more than 25%.

In assessing prospects for the second six months, Ecksteins says the protection afforded to local manufacturers through the recent imposition of heavier import surcharges is expected to ensure future growth

Jaguar does not rely on imported raw materials in the manufacture of any of its ranges

# Jaguar posts healthy earnings rise

By Sven Lunsche

Following hard on the heels of the merger with Budget, Jaguar Holdings says interim earnings for the first six months of 1988 rose by 34 percent to R3,6 million

Figures do not take into account the trading results of recently acquired Coastal Clothing and were achieved on the back of increased consumer demand for footwear and improved operating margins

Sales were up 16 percent to R27,2 million, while pre-tax income rose by 45 percent to R4,1 million Earnings per share improved by 30 percent to 8,4c, but in order to retain funds in light of the recent acquisitions, no interim is being paid

Chief executive, Mr Roy Eckstein, said yesterday "All divisions are trading well and our order books are full for the remainder of the year"

Assessing prospects for the second half, he pointed to the protection afforded to local manufacturers through the recent imposition of heavier import surcharges

Further growth should arise from the recent acquisitions "We expect a significant contribution from Coastal Clothing's Puma line of clothing Since the production of Budget and Jaguar does not overlap by more than 25 percent, and given both companies' position among the top four footwear manufacturers in the country, the future looks bright," Mr Eckstein said

187 Star 14/9/88

JAGUAR/BUDGET 187

## Fancy footwork

**Recent mergers** and acquisitions will make Jaguar Holdings SA's second-largest footwear manufacturer, set to handle a market growing strongly because of the increased competitiveness of local products

The operating subsidiaries of Budget Footwear will be sold to Jaguar for R20,5m cash and 14,3m Jaguar shares at 70c (market price is 75c) The shares will be offered to Budget shareholders at 70c.

Budget will again become a cash shell, and seek acquisitions Cape-based Lenco holds 80% of Budget, which was listed via the Svenmill shell last December Lenco, an industrial holding company specialising in textiles, was also reverse listed in August last year Lenco will displace Roy Eckstein as Jaguar's largest shareholder, each with close to 40%, but Eckstein remains CE

Budget's assets (in Durban) will be rationalised under Maritzburg-based Jaguar, which has decentralised to QwaQwa and Lesotho Both are long established and cater to the lower to middle markets Jaguar has some upmarket products, however, and Eckstein says the two groups compete in about 25% of their production

Budget was sold by Pepkor to Lenco, with House of Monatic and Rich Rags, in March 1987 for R52m

Sideshows to the Jaguar-Budget deal are Lenco's sale of House of Monatic and Rich Rags to DCM-listed Cape knitwear house Filati in what amounts to a reverse takeover; and Jaguar's acquisition of at least 75,9% of listed Durban clothing maker Coastal to expand the clothing side of the Puma brand, which Jaguar has under local licence

Eckstein says the enlarged Jaguar will operate as in the past, though there will be some rationalisation. Jaguar has had particular success in Lesotho, where 50% of its footwear is now produced, benefiting greatly from a 10-year tax holiday, labour peace and export advantages Some former Budget products may be made in Lesotho.

**Order books full**

Eckstein says the enlarged group will have annual turnover of about R130m, second in footwear only to Conshu, which turned over R329m in its year to June Footwear was, until a few years ago, a Cinderella sector because of cheap imports, but the declining rand, new tariff protection, and most recently a 20% surcharge on imports have changed the scenario radically. Manufacturers report order books full for more than six months ahead, and almost all raw materials are sourced locally.

Jaguar's attributable earnings rose by 135% and EPS by 118% in its year to February This week's interim shows attributable earnings up 75% and EPS 30%. Budget also grew strongly in its first year (to February), its interim results will be published soon

Eckstein says Jaguar will be slightly geared after the takeover, but the former Budget subsidiaries have net cash, which bodes well for expansion He says there is no danger that Jaguar's expansion will be too rapid because management of all the companies involved is strong

The same wind of improvement for local production has been blowing for textile and clothing makers, says Lenco executive chairman Douglas de Jager, adding that Budget's acquisitions need not be in those sectors Four are being examined, and he expects decisions within a few weeks *Teigue Payne*

# COMPANY ROUND-UP

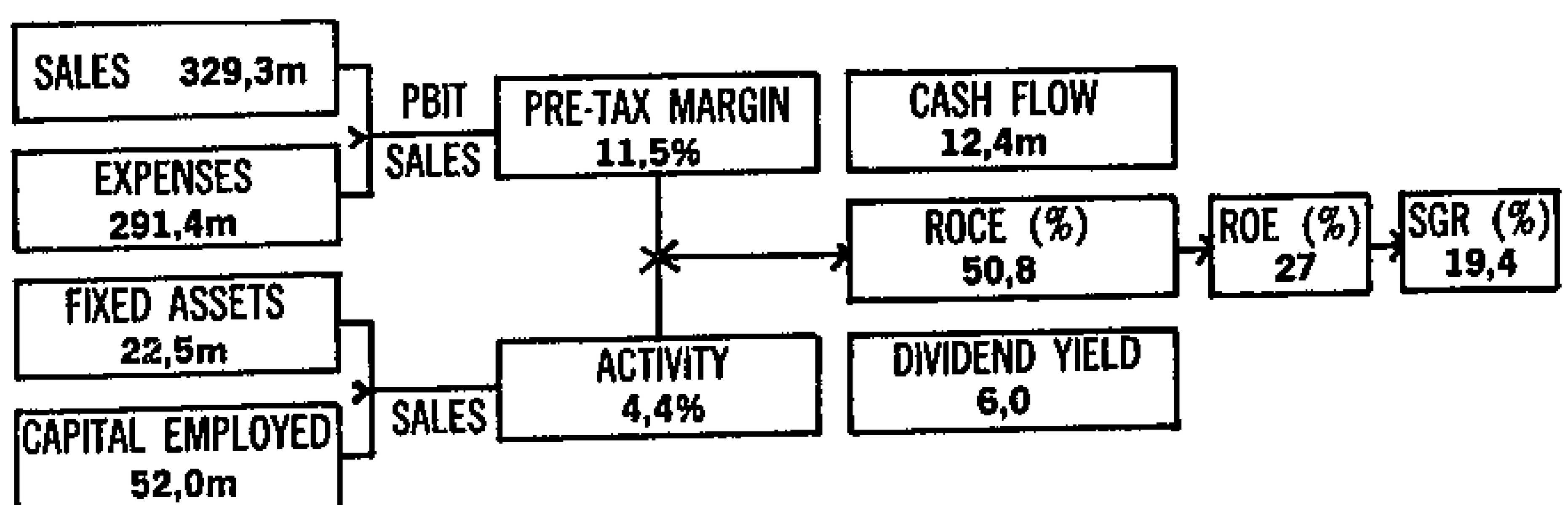
| PRELIMS | Turnover (Rm) | % change | Profit before tax (Rm) | % change | Earnings share (c) | %a change | Div a share (c) | % change |
|---|---|---|---|---|---|---|---|---|
| S M Goldstein | 457,2 | +51,6 | (2,9) | N/A | 20,5 | −24,1 | N/A | N/A |
| Grant And | 33,1 | +38,7 | 4,6 | +22,8 | 20,3 | +84,5 | 8,1• | N/A |
| Picapli | N/A | +169 | 22,7 | +59,4 | 110,1 | +12 | 51,2 | +10 |
| Ocean Appliance x 15 months | — | — | 6,2 | +98 | 84,7 | +20,0 | 20,0 | +42,8 |
| Romano Furniture | 10,6 | N/A | 1,2 | N/A | 5,0 | N/A | — | — |
| Edward L Bateman | 735 5 | +96 | 10 5 | +8,2 | 318,0 | −5,6 | 130,0 | +10,1 |
| Fred Whitehead | 33,7 | +119 | 1,1 | +30,1 | 11,1 | +33,7 | 3,5 | N/A |

N/A. Not applicable/available • Annualised

| INTERIMS | Turnover (Rm) | % change | Profit before tax (Rm) | % change | Earnings share (c) | %a change | Div a share (c) | % change |
|---|---|---|---|---|---|---|---|---|
| Jasco | 16 6 | +42,0 | 1 7 | +64,3 | 4,76 | +78,9 | N/A | N/A |
| Swafish | 16 9 | −14,4 | 7,4 | −18,7 | 200,0 | +41,8 | 65 | N/C |
| Meritex | N/A | +17,6 | 2 8 | +27,2 | 12,0 | +20 | N/A | N/A |
| Mervest | 2,1 | +12,6 | 0,1 | −54 | 0,17 | −54 | N/A | N/A |
| Willem Barendsz | 5,2 | +138 | 5,0 | +156 | 44,0 | +159 | 9,0 | 28,5 |

N/C No change

# Conshu strides ahead




ROE Return on Equity ROCE Return on capital employed PBIT Profit before interest and tax
SG Sustainable growth rate

Source Goalfix Corporation

CONSHU, the new listed footwear giant, emerges as a star company under the Du Pont theory of financial analysis.

As the diagram indicates, the Du Pont theory relates balance sheet and income statement numbers to come up with vital growth determinants To derive the figures it was necessary only to punch 12 vital numbers into a computer loaded with Goalfix's financial software. The diagram suggests how the vital numbers are computed.

Conshu achieved a return on capital employed of 50,8% and a return on equity of 27% in the year to June This gives it a sustainable growth rate of 19,4% a year.

Sustainable growth is the maximum growth in sales and total capital employed that can be achieved given dividend policy and debt:equity ratios Alternatively, it means the potential the business has to expand given the financial parameters under which it operates It includes the eefect of dividend policy on future performance.

Conshu doubled net income last year to R17,7-million Management is confident of improved performance this year.

The company used strong cash flow to eliminate debt The tax rate was constant at 50%

By Patrick Fitzgerald

Rationalisation improved management efficiency and operating margins. Two factories incurring losses were closed and others have been restructured. Conshu's has a policy of vertical integration. A subsidiary, Wayne Rubber, has acquired a raw materials supplier. Capacity has been enhanced and should enable ambitious budgets to be met.

Contrary to some suggestions, Conshu does not depend unduly on any single customer. Its biggest customer accounts for less than 10% of sales. Managing director R M Feinblum aims at a 20% sales increase this year.

Return on capital employed is susceptible to price and cost of sales changes. Cash flow is sensitive to working capital levels.

Based on a constant price earnings ratio of 7,1 and the forecast increase in turnover, Goalfix profit planner predicts sustainable growth rising to 22,7% and a share price of 430c. In the past year the share price has fluctuated between a low of 280c and a high of 470c Its current price of 310c suggests considerable upside

S Times 2/9/88

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Business Report

# Bolton boosts earnings 13,5%

21/11/88

JOHANNESBURG. — Bolton Industrial Holdings (Bolton) lifted attributable earnings by 13,5% to R3,58m in the six months to August 31, 1988

The group's joint MD Brian Puchert said a particularly strong performance by Bolton Footwear, which posted a 33% increase in attributable income to R2,7m, was the highlight of the first half of the current financial year

He was disappointed, however, with Cargo Carriers' marginal decline in earnings, a result of losses sustained on the two acquisitions in the past year

An excellent performance by the men's footwear division of Bolton Footwear, combined with the disposal of certain non-footwear activities were the main reasons behind the solid improvement in the subsidiary

Puchert noted that the profit growth on the footwear side was expected to continue for the balance of the financial year, although possibly at a slower rate than the first half due to a general slowdown in the economy

Turning to Cargo Carriers, one of the private sector's leading transport organisations, Puchert said that apart from the losses on the new acquisitions, the rest of the business had performed well in the period under review

Considerable sums continued to be spent on new equipment at Cargo as part of an ongoing programme to upgrade both the operating fleet and transport facilities With this about 75% complete, Puchert said Cargo was poised for further expansion

Bolton Industrial Holdings increased earnings per share to 69,2c a share from 61c in the corresponding period of last year, allowing payment of a 16c interim dividend

At Bolton Footwear the first interim dividend was set at 3,2c out of earnings up to 13,5c from 10,1c a share

Cargo Carriers declared a maiden interim dividend of 6c out of earnings of 23,5c a share

Looking further ahead, Puchert said considerable management attention was being applied to restoring profits in the new subsidiaries and improving productivity at all levels within Cargo Carriers

On the footwear side new products and franchise arrangements were continually being examined, while every effort continued to be made to improve both efficiencies and product quality — Sapa

**Nissan SA chairman Peter Whitfield has been appointed to the board of Karbochem.**

**Johan Ras has been appointed deputy MD of Priceforbes Federale Volkskas's group development services**

# Demand can vary as much as 20%

**SYD COHN, in Stratplan 2 000, suggests subcontracting as an answer to labour problem**

THE footwear industry experiences volatility of demand as large as 20% from one year to the next If this is coupled with the volatile nature of fashion influences then an economic structure of industry capacity is needed which is flexible in accommodating wide swings of capacity utilisation and type of product produced

There are two adaptive responses a firm can make to this situation One is to identify market trends early enough to establish competitive positioning which will be sustainable for the life of the trend

One can then incur overheads and commit to capacity with a relative degree of certainty

The second response is to commit to a low overhead so as to survive any sudden adverse developments and to supplement capacity by a network of contracting and sub-contracting relationships This approach is common in the garment industry and, in fact, characterises the production of the two major world footwear exporters, Italy and Taiwan

To the extent that fixed costs are a significant part of cost a pair, this approach offers the potential to manage these costs downward, by gearing up the throughput for the same fixed cost burden, and by minimising the cost of lost capacity

In addition, certain production processes are common to different end products The producer of a men's fashion shoe may not be in competition with the producer of a men's sports shoe which may be produced using completely different shoe construction Yet each may use a similarly produced leather upper

The economic, importance here is that a producer of leather uppers alone will be free to sub-contract for either footwear market when the fashion demand moves from the one shoe to the other He will not need marketing or design expertise to do so All he needs to develop is skills in the cost-effective management of a closing line

Since closing also tends to be the most labour-intensive part of shoe production, focus in management skills of a closing line can differ significantly from other management skills involved in shoe marketing The same comments apply to some of the other processes, significantly clicking of

In SA, certain cost effects can be anticipated with confidence if a sub-contracting structure is co-ordinated with export marketing

Manufacturers tend to produce wide ranges in relatively short runs Exporting will make for longer runs of more focused ranges, allowing for some economies in component, leather and shoe production — provided capacity flexibility is available to factories

Such flexibility is offered by sub-contractors, if they fit into export scheduling and quality controls To do so, they must be near enough to the contracting footwear producer to be managed cost-effectively In addition, some sort of protection must be afforded to these sub-contractors to ensure they do not close down between orders — such as buffer work from the government tender

It is noted that sub-contract labour is already in use, mainly in the interlacing process Three models exist, all of which have potential application in the current situation One is to sub-contract in the nearest BLS state or homeland for the advantage of cheap (non-union) labour The second is to give the work out to an entrepreneur who has his own factory Several already exist in Pinetown, Greytown and

the work is done at home

In a fragmented industry such as footwear, there is economic sense in adopting a flexible industry structure involving a network of sub-contracting arrangements, particularly if competition in export markets is envisaged

## HIGH COSTS TAKE TOLL

THE SHOE industry migrated out of its traditional base in the eastern Cape in response to rising labour costs there For identical reasons, the industry is now migrating from Natal, particularly Durban-Pinetown to the homelands

The existence of a single national wage rate is preventing the industry from relocating at lower labour cost points within the jurisdiction of the Industrial Council

Accordingly, the industry has moved to areas outside the control of the council Major Natal employers are predicting the demise of the industry in the Durban-Pinetown area within the next five years and are planning accordingly They note that, adjusted for productivity, labour cost a pair is less than 50% elsewhere

The result has been a decline in employment in prescribed operations from 29 000 to 22 400 between 1982 and 1986

The union is experiencing strong competition in the labour market from areas outside council control Employers operating in those areas report paying labour rates, adjusted for productivity, of less than half existing union rates As a result, industry is migrating away from existing area and the union is experiencing a drop in membership

The union would like to bring these areas into the jurisdiction of the council While this would undoubtedly serve the union's short-term interests, it will not help the industry to compete internationally

The alternative is creating a more flexible wage structure

Reprinted from Stratplan 2 000

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ed PU sole.

# 'Dying' to aid local makers

IMPORT surcharges mean shoe manufacturers have to produce as much of their own components as they can, and die cutting is the way to do it, says Bruce Carte, MD of Vandan Engineering

"Diecutting is dead accurate to ensure identical cutting parts Experience enables staff to give maximum material yield — even when working on complex shapes, and eliminating waste

"In the days before computers and lasers it took skilled craftsmen to cut patterns and shoe manufacturers would offer them a bonus to get the best yield giving greater material utilisation "

By offering a cost-effective cutting service so shoe manufacturers for soles, inner socks, uppers and trimmings Vandan Engineering has grown — over 21 years — into a major supplier to the shoe trade

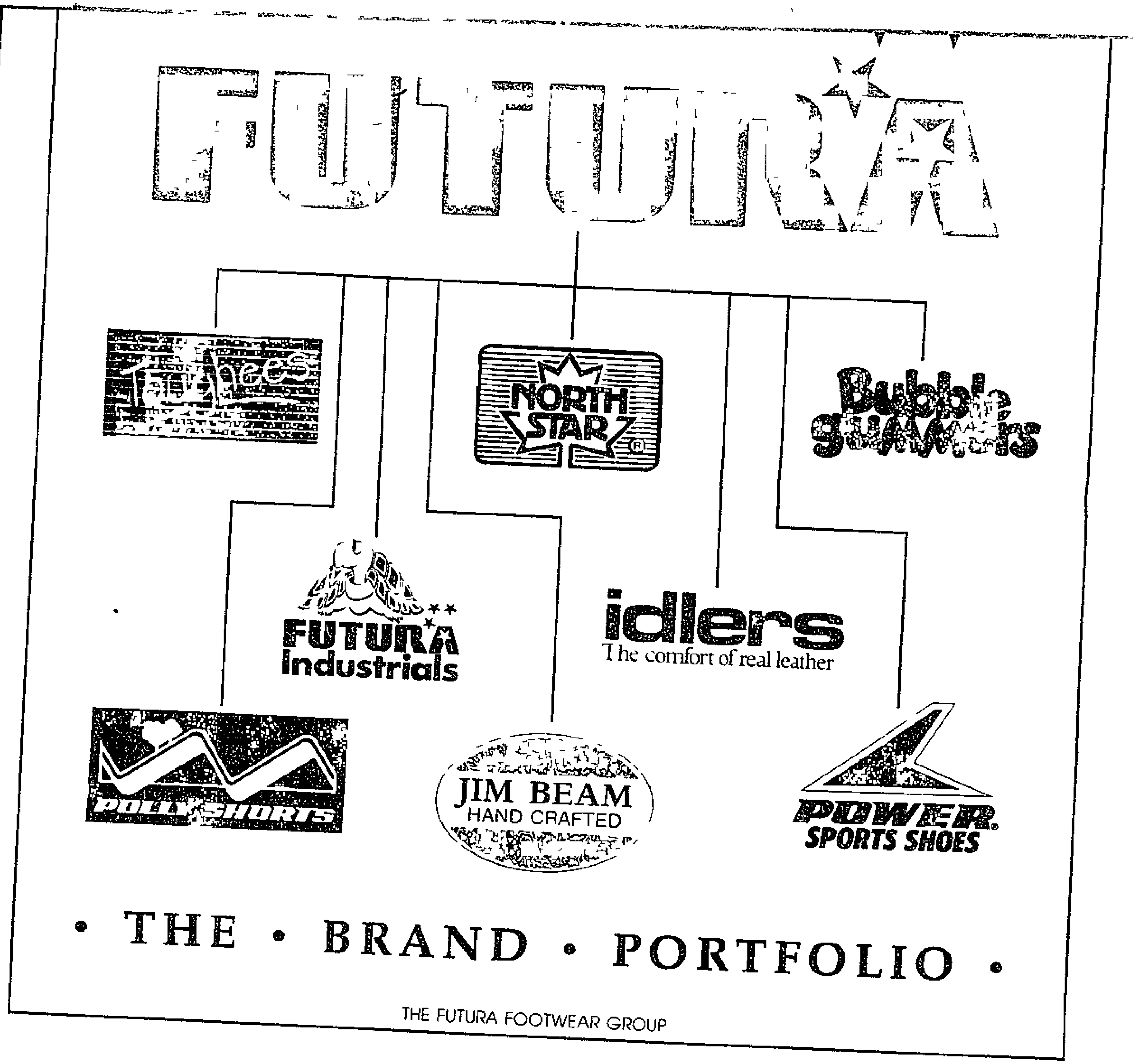
"The shoe industry requires a pattern grading service whereby a prototype design expands ito a range of sizes Security is vital in this department as the new season's designs are revealed here and have to be kept secret," says Carte

He feels the future is optimistic

"The general feeling is that together with the weak rand, duties and surcharges, the retailer will not import footwear This leaves the local shoe manufacturers with the opportunity to supply I foresee a situation where a shortage of shoes will occur as manufacturers are not in a position to supply all requirements

"Footwear prices will be affected by inflation

"It is a battle to contain prices of materials from suppliers — presently increases have averaged around 10% Indications are that resin rubber soling will be influenced by the extremely high price increases in the synthetic rubber, styrene and other straategic ingredients We have been advised of a proposed staggering increase to start 1989, of 20% To be able to counteract the high cost of materials, manufacturers will have to consider PVC soling, which is much cheaper "




# Amshoe to come onstream

AMSHOE is coming on-stream in early December as Jaguar and Budget listed footwear groups merge to produce an annual turnover in excess of R130m

Jaguar's name changes to Amalgamated Shoes Limited (Amshoe) — the holding company for Jaguar and Budget, leaving the

to be R140m by February 1989

Eckstein says he is happy with the Budget merger saying it will run independently under current management The merger has

booked up until end May

Eckstein says "I am selling 500 000 pairs of shoes in two weeks

"Because of import replacement, the footwear industry in the medium and lower price is going to be

make another 1 000 shoes a day

All the footwear manufacturers send designers abroad during the year to update on foreign fashion trends

Eckstein gave a brief

wear more trainers than before

Black and black patent is in, combined with grape or cerise splashes of colour Brown shades are back Colour in footwear is popular Court shoes are always

but sophisticated machinery is expensive thanks to our weak rand and import surcharges, but we are installing some in Maritzburg Not in the homelands, where it is not understood and, therefore, misused Use of machinery has to be understood, serviced correctly and properly operated

"Taiwan is becoming ex-

POLYURETHANES play a versatile role in our lives — in our homes, cars and shoes It literally goes into the bottom end of the footwear market for foot covering because it is not suitable for sports-wear nor high fashion use

Industrial Urethanes, a member of the AECI

## FOOTWEAR INDUSTRY

# Amshoe to come onstream

AMSHOE is coming onstream in early December as Jaguar and Budget listed footwear groups merge to produce an annual turnover in excess of R130m

Jaguar's name changes to Amalgamated Shoes Limited (Amshoe) — the holding company for Jaguar and Budget, leaving the latter a cash shell Controlling shareholders of Amshoe are Lenco and Roy Eckstein, who is now chief executive officer of Amshoe

Jaguar was started by Roy and his father, Fritz, in 1965 with women's and children's shoes, and is now the second biggest (after Conshu) footwear manufacturing company in the country

Jaguar expects turnover to be R140m by February 1989

Eckstein says he is happy with the Budget merger saying it will run independently under current management The merger has brought about savings in buying, machinery and other benefits which he is working towards Each company trades as an individual profit centre, as do all companies within the group

Amshoe is completely booked up since three months ago to year end Now with the selling of the winter ranges they will be booked up until end May

Eckstein says "I am selling 500 000 pairs of shoes in two weeks

"Because of import replacement, the footwear industry in the medium and lower price is going to be busy

"If there is a downturn, it hits houses and appliances before it hurts us But prospects look good for the industry for the next six months"

Jaguar is building another factory in Lesotho to make another 4 000 shoes a day and the factory in Qwa Qwa will be improved to make another 1 000 shoes a day

All the footwear manufacturers send designers abroad during the year to update on foreign fashion trends

Eckstein gave a brief lowdown on what to expect in winter

In women's footwear, boots are strong The black market, particularly, looks to boots for warm items Boots are enjoying more popularity this year than ever and range from fashion to workwear Moccasins are strong Children wear more trainers than before

Black and black patent is in, combined with grape or cerise splashes of colour Brown shades are back Colour in footwear is popular Court shoes are always popular, now with bows and trims, from flatties to high heels

In men's wear, leather still enjoys a high demand, traditional colours are the most popular

Eckstein discusses labour cautiously

"Computerisation in footwear saves a great deal but sophisticated machinery is expensive thanks to our weak rand and import surcharges, but we are installing some in Maritzburg Not in the homelands, where it is not understood and, therefore, misused Use of machinery has to be understood, serviced correctly and properly operated

"Taiwan is becoming expensive so factories are going to low-cost labour countries such as South Korea and Brazil We move to the homelands And moving to the homelands is fine provided you can train Transport is another factor to be considered You can only grow as fast as you can train, we need teachers"

# Step out with polyurethane

POLYURETHANES play a versatile role in our lives — in our homes, cars and shoes It literally goes into the bottom end of the footwear market for foot covering because it is not suitable for sportswear nor high fashion use

Industrial Urethanes, a member of the AECI Group, supplies injection moulded soles to the low-cost side of the components and shoe manufacturers

Industrial Urethanes has expanded its production of Degopol polyurethane shoe soling systems and increased its technical support team, citing "the needs of the SA footwear industry for advanced technology and improved local service"

Keith Arkle, product manager for the footwear division, said the Degopol systems — originally researched and developed by ICI in Deggendorf, West Germany — had been adapted to suit SA requirements and offered wide freedom of design, as well as a good balance between production versatility and economy

The relationship between Industrial Urethanes and ICI in the footwear sector began with the importation of formulated products, together with regular visits to SA by specialist ICI technical staff

Local formulation followed but Arkles stressed that connections with ICI remain close, allowing Industrial Urethanes to remain up to date with advances in polyurethane soling technology

Arkle, together with a team of qualified, experienced technical officers, will provide the industry with technical back-up

"We'll give rapid answers for production line problems," he says

New formulations are being developed at the Edenvale laboratory with the aim of producing systems locally

"These systems will be more closely tailored to SA requirements than those imported," said Arkle

Aside from the new Degopol shoe soling formulations, Industrial Urethanes will continue to manufacture its established range of Polymold thermoplastic polyurethanes and Polystik adhesive intermediates, both widely used by the footwear industry

# 'Stratplan' helps development

AT a meeting of Liri (Leather Industries Research Institute) members in Durban in October 1986, it was decided to initiate a project entitled Stratplan 2000 The objective is to produce a positive plan for the practical development of the leather, footwear and associated industries in southern Africa

Consultant Syd Cohn of Johannesburg headed the team to develop the economic and technical aspects of the project

They laid particular emphasis on the quality improvement of hides and skins, the beneficiation of these, export promotion of finished products and job creation in both the existing industry structure and the small business areas

In order to make an effective approach to government it was necessary to present a concise overall view of the current position in the industries as well a constructive plan for them for the future

The initial focus was on the potential development of the footwear industry

"Although there is a substantial long term growth potential in this market it will occur as part of the development of SA as a whole," says Cohn "During this period, one can expect volatility in consumption volumes as footwear is a semi-durable purchase"

SA is part of a world market for footwear The local manufacturer competes with international producers at home and abroad Major exporting nations — such as Italy and Taiwan — compete by having a cost-efficient industry structure which depends on a network of sub-contracting arrangements This has the effect of reducing overhead costs a pair, making labour costs more flexible

SA lacks this feature and has inflexible labour costs Accordingly, its shoe industry is eroding as facatories relocate outside the Industrial Council area

Some local factories have maintained successful export programmes over recent years Their experience indicates that the SA producer can compete internationally For them the difference beween local and export sale revenue is 15% By restructuring the industry and rearranging existing subsidies and levies, a 20% increase in the margin of an export sale can be realised

This means that on average, an export sale will become more profitable than a local sale

Profitability improvement is the basis for the development programme It proposes creating a new body — Lafia (Leather and Footwear Industries Association) — to administer Stratplan 2000 The body will be funded by a levy on improved exports

Recommendations on suitable import control and protection policies are made For economic reasons, a pairage quota is envisaged

The package is comprehensive, taking in all aspects of the production of footwear, components, leather and tanning

Initiation involves Liri and the FMF, the unions, and SBDC to mount a pilot scheme immediately

# Importers destroyed

KNOWN as the "anti-duty" man in the trade, Ken Johnson, MD of Select-A-Shoe is bitter about the impositions of duties without prior discussions with the trade

"Small importers have had their businesses destroyed and we have had long-term relationships with foreign suppliers wrecked," he complains

The average South African buys 3,5 pairs of shoes a year To enlarge the shoe market it makes sens· to rather get people to buy more shoes, than impose duties on imports, suggests Johnson, "With prices going up, customers will buy less and so decrease consumption"

Select-A-Shoe retails through 360 stores in southern Africa selling millions of pairs of shoes a year It operated on a 50-50 basis of imported and locally made shoes Its market is mainly rural black Having a low disposable income, blacks usually buy low priced shoes or go without

Imported shoes fitted their requirements but rising prices inhibit sales "When the November duties were imposed last year, we were horrified as local manufacture could not make up the shortfall of pairage coming in without massive gearing up," says Johnson

"There was no consultation, goods arrived and we simply had to pay the extra duties Board of Trade officials were approached but we were told duties were imposed to protect local industry They said an investigation would be launched into the local shoe industry, but there has been no news in a year On what level were these duties fixed and why?

"Take this example old duty on a pair of men's R7,50 shoes was R2,25, now it's R15,25 It is an enormous increase, for which we have been given no justification A moccasin for a black adult school pupil cost R8,75 and had a duty of R2,65, now it is R8,38 We cannot pass this on, but how can we absorb it? This can put one out of business

Then came the import surcharge in August, adding another 20% to the duties Prices have now increased by 50%

"When local manufacture cannot supply enough goods and a shortage occurs, prices will go up again

"I suspect that local industry has perhaps not protected itself For example, local manufacturers never come to see our goods, our shops, our operations But the Taiwanese fly out here to do just that

"Now manufacturers here are shortening credit terms, imposing minimum quantities on colour and style The customer is the loser because prices keep going up"

# Jit — a step in right direction

BDay
17 Nov 1988

"AMONG Japanese methods for improving manufacturing operations, by far the most popular is the just-in-time (Jit) inventory control system," writes Fortune International.

"These controls were originally developed in Japan by Taiichi Ohno, a Toyota vice-president who named the system Kanban after the card that production workers find in their parts bin and use to call for a fresh supply The essence of Jit is that the manufacturer does not keep much inventory on hand — he relies on suppliers to furnish parts just in time for them to be assembled"

An article in Productivity SA claims that US companies, by contrast, have traditionally employed a just-in-case system — fat inventories that ensure production won't be interrupted. It covers up planning glitches and problems with quality. If one component does not work, reach into an overflowing bin and pull out another But fat inventories cost a bundle to carry

## PROMPT

The primary problem in trying to use kanban in the shoe industry is getting suppliers to deliver high quality parts promptly If goods do not show in time, the assembly line stops

The system does eliminate overstocking and cuts inventory costs but it requires effective production scheduling and control

In an effort to improve productivity in the shoe industry the National Productivity Institute has experts like Andy Bax and Dr Jan Boer to assist the industry

Bax looks at Japanese influence with a wider view, encompassing overall productivity, not just one system

"The industry needs to mount a two-pronged attack, with import substitution and aggressive exporting," he says

## PRODUCTIVITY

"The gap between our productivity and that of our competitors is widening SA earnings per employee are rocketing while labour productivity remains the same

"We must take every opportunity to improve productivity and regain a competitive edge We need skilled, trained staff, engineers and technicians. But above all we need worker productivity It is vital to create more jobs. Jobs are often recommended at the expense of productivity, but if you create work at the expense of productivity, relief is only temporary.

"Artifical job creation may seem like altruistic redistribution of the country's wealth, but subsequent wage increases forced by the unions will lead to low productivity and the company and the country become poorer in the process.

"Japan, which heavily automated its factories and ruthlessly pursues productivy, still has enlightened employers Jobs are created at a tremendous pace, especially in the service industries Employees are highly trained and contribute much to the increase in the perceived value of products"

"A big problem — and this would influence the use of kanban — is the supply of hides As export brings a higher price than local sales, the home market comes off second best There is a move afoot to stop local auction sales through individual contract

"The shoe industry needs to invest more, but variable reaction from government makes it impossible to foresee the future

## HI-TECH

"We certainly need to go for hi-tech where possible. Kanban in small quantities is fine Work in progress should be handled by one operator only Changeover designs should be faster Conveyors are expensive and a waste of space — rather have operators working close together

"There is the question of motivation and incentives You can lead a horse to water, but if he really wants a beer you are wasting your time There is a distinct limit to the effort people will expend for a low fixed wage

"A correctly-geared and stricly-maintained incentive based on output will offer a potential increase of 20% in pairage with an existing workforce That increase in turnover means the system would pay for itself 10 times over in a short period"

## DEMAND

Over the past 10 years the average increase in productivity in SA was 1,6% compared with Japan, where productivity increased by 3% a year

"We have had overcapacity, so manufacturers should be able to gear up to cope with new demand

# SELF-SERVICE TREND GAINING POPULARITY

A NEW trend has emerged in shoe retailing with the chain stores entering the market Pick 'n Pay and Woolworths lead the way with self-service in shoe buying This is a radical departure from the service customers are used to, where a comfortable seat is provided and an assistant scurries off to find the requested item in the correct size

Woolworths' director in charge of the shoe division, David Glasser, says all stores now carry shoes, with the major stores carrying comprehensive ranges

"Our footwear ranges are an extension of our family shopping concept and complement the clothing side. Yes, it is a different way of selling shoes But shoe fittings are standardised so it is a simple matter for customers to serve themselves"

What are his views on local quality, considering Woolworth's reputation in this field?

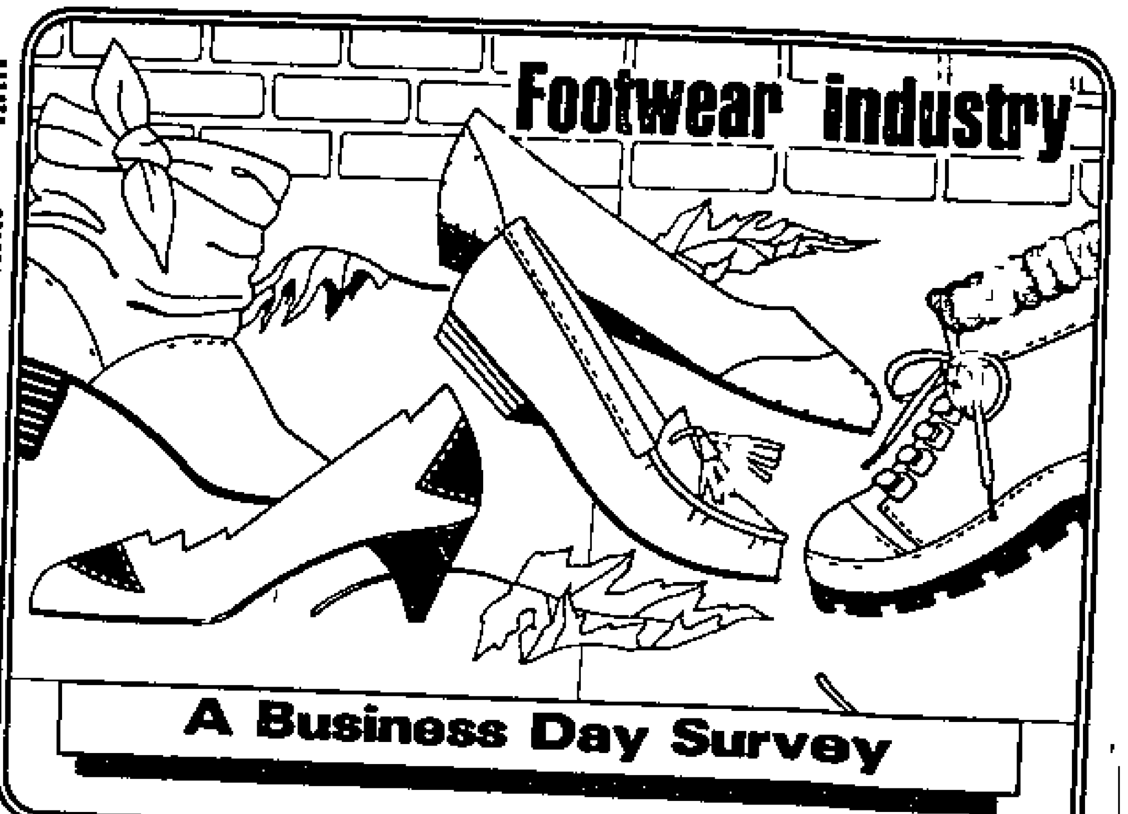
"Local suppliers have the ability to produce shoes of an exceptional high quality However, consistency is an aspect to which they pay scant attention and this lets the industry down We strive to uplift quality to ensure the consumer gets value for money with every purchase

"Imported footwear is minor and used for trials with the view of developing the product on the local market The recent import surcharge has increased costs and therefore the selling price of this merchandise But we shall continue to experiment with imported goods as development is important to the continued success of the footwear group"

(187)

**Written by ANNABELLE GORDON**

## FOOTWEAR INDUSTRY




# Challenges lie ahead

THE SA footwear industry can compete with the best in the world if it can successfully tackle the challenges ahead, says Conshu chief executive Robert Feinblum

Feinblum, who heads up the country's largest footwear manufacturer, says a critical factor is the full cooperation of raw material suppliers, manufacturers and trade unions through to retailers

"Footwear manufacturers have done a solid job of putting their own house in order A significant development has been the rationalisation of large parts of the industry, which led to more efficient production and improved quality"

### SIZE

Responding to criticisms that the growing size of Conshu is detrimental to the growth of the industry, Feinblum says the strength of such an organisation has tremendous benefits for the industry

"For the industry to grow there must be constructive competition, rather than destructive attacks on market share

"If nobody is making a return on their investment, there will be no incentive for more money to be invested in the footwear industry" This is critical for the long-term future of the industry

Better returns can be achieved by manufacturers concentrating on longer production runs of fewer shoe styles This is vividly illustrated in the difference between women's and men's footwear production, where, in women's, the average gross profit margin is under 4% and in men's, almost 14,5%

This reflects the difference between having to absorb the cost of the wide variety of shoes and styles available in the women's market, where shorter production runs become less cost efficient

"We can produce a shoe to compete with the best in the world, but the obsession with such a wide variety impairs the quality and reflects badly on the industry as a whole"

### SUPPLY

On the supply side, the industry is beset with a poor quality of local hide and a below international standard level of tanning

"The local hide industry should be deregulated and opened up so that the best hides get the best prices Then we can ensure buying a quality skin and not having to continually resort to imported leathers"

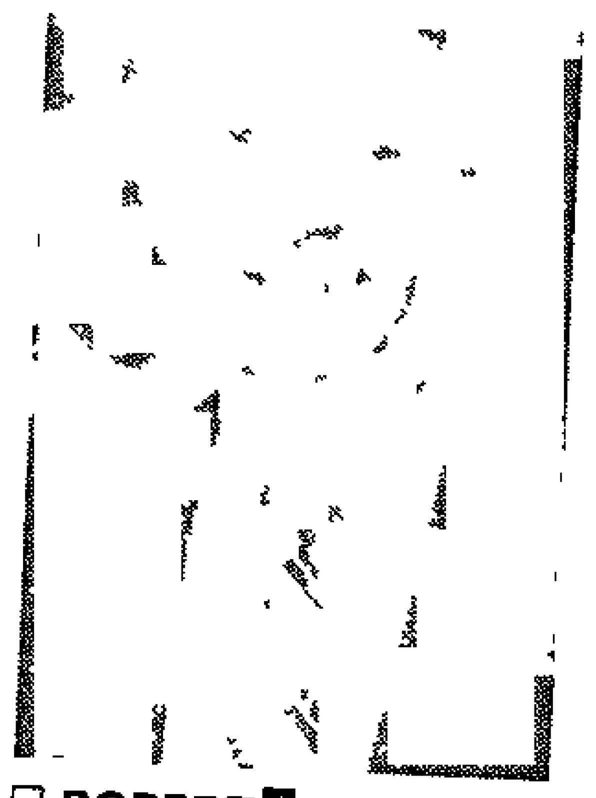
This makes sense for cattle farmers, those who look after their animals and produce the best hides would get the top prices

"At the moment prices are averaged out so that the farmer who sells poor quality hides of free-ranging animals gets the same price as the farmer who has protected the animal skins in a feedlot, or other cloistered environment"

### STYLE

A critical area is the labour situation and the tightrope management is increasingly being asked to walk between the unions and the workforce

Feinblum suggests a remuneration system based more on bonuses and incentive schemes, incorporating more regular attendances and overtime programmes



☐ ROBERT FEINBLUM, CE of Conshu

These would be of more benefit to the industry than a rigidly enforced minimum wage The resistance shown by the trade unions in this regard is not only causing long-term damage to the industry, but denying employees the ability to make more money for more effort

# VAT is enough

THE shoe industry is viewing with alarm the probability of VAT, which is soon to be implemented

But Trade and Industry Board chairman Lawrence McCrystal explains "VAT is a tax on value, which is added at each stage in the production process

"The end-price of a product into the market is the sum total of all the values added in the various stages of manufacture

"Therefore double taxation of the same thing is avoided There is a tax only on the value added at each stage

"VAT should replace GST and prices therefore should not be increased further"

# Shoe industry is finding its feet

THE shoe industry is finding its feet after years of difficulties It is a fragmented industry, heavily reliant on hide supplies and low cost labour, faced with enormous competition from imports

The drought not only caused a shortage of hides, it damaged future supplies as farmers try to build up stocks Drought also adversely affects the quality of the hides available

A need for low-cost labour caused the shoe manufacturers to move from Port Elizabeth to Natal years ago, and now — for the same reason — there is a new migration to the homelands

The recent surcharge on imports has helped local manufacturers enormously, order books are filling up But having run over capacity in the past means having to gear up fast which is difficult Particularly as skilled staff are nearly impossible to find

The pipeline starts with imported chemicals for the tanneries

Exports take a large chunk of the hides available, at higher profit than tanneries get locally

There are component suppliers for shoe manufacturers, and synthetics are improving — there is even a vinyl product that looks just like leather

Of about 130 local manufacturers, Conshu is the largest, followed by Amshoe, both listed on the JSE

Manufacturers raise the problems of supply, labour, imports, exports and the difficulties involved in training staff to improve productivity

How do manufacturers export when SA is a political anathema?

Retailers who imported in the past have been hit by the import surcharge

They are divided about the current situation Deliveries are late and they are worried that additional pressure for increased manufacture for import substitution will get progressively more delayed

The retail market place has changed In the past, mens outfitters were the main outlet for men's shoes, and salons for ladies' and children's shoes proliferated Now, two of the large chain stores are selling self-service shoes off the shelf In the black market, styling is street-led but European-influenced

Importers are angry about the import surcharge and complain local manufacturers will not be able to rise to the occasion

Finally, there is the consumer The man who needs a size six shoe and has enormous difficulty in getting suited, the ladies who want a double A fitting and cannot find it, and the element which buys only imported anyway, but will now pay heavily for the privilege

A new threat looms in the form of Value Added Tax, which government will be implementing

Monique MD Gordon Singh sums it up "We desperately need better productivity, new overseas investments (which would come if racial issues were resolved), curtailed union interference and new entrepreneurs"

In an effort to become more productive and improve the industry, the quality control arm of the Footwear Manufacturers' Federation, Lirı, called on consultant Syd Cohn at the end of 1986 to compile an in-depth report on the industry with suggestions for improvement

The report, called Stratplan 2000, is already being implemented

# Surcharge will help

LOCAL footwear manufacturing is in a down phase due to pressure from low-cost imported footwear from the Far East

As a result, local industry has tended to downgrade to lower-cost materials and components in an effort to compete

The adverse exchange rate of the rand and the surcharge on imported items are welcome signs for a revival of the market

Formex Industries marketing manager Hugh Thomas says "There are encouraging signs of a return to former quality standards for which the SA industry has been well known"

Formex consists of three divisions chemical and fasteners (formerly Bostik), materials division and engineering (formerly B U Engineering) with secured rights to Bostik and Kwikset, plus POP and IVI trademarks and technology agreements

Thomas says these divisions combine to ensure the products offered comply with the quality standards from source companies abroad

The chemical and fastener division manufactures adhesives under the Bostik brand name

The materials division supplies shoe components and materials to customers' specific quality standards

Components are manufactured in Port Elizabeth and Durban

# Winter '89 range hailed

FOOTWEAR manufacturers welcome the winter '89 Fashiontex range of locally-produced synthetic leathers as stiff competition for what is available in Europe Buyers say it is spot on for this year's footwear fashion trends

Fashiontex MD Colin Rosslee says "There is excellent feedback from local manufacturers viewing the range prior to making international buying trips this year The fact that the range is very close to leather and is so fashionable, helps to make local supply a better option than it's ever been

"Considering the import surcharge, footwear manufacturers and retailers have much to gain through local supply of synthetic leathers There are not only price advantages, but supply and lead-time advantages The local coating industry can become much stronger, provided they have this increased demand"

Marketing manager Rodney Reynders says "Our PVC ranges are starting to look like polyurethane, which is very similar to leather"

The nine major ranges from Fashiontex for winter '89 are

☐ Coagulate-backed polyurethane, an up-market fashion range consisting of a "Nappa", "Odessa" and "Nepal",

☐ Polyurethane cotton-backed in "Khyber" — a Euro-African range, aimed at economy shoes,

☐ A vinyl leather range in colours "Caramba", "Ghurka" and "Basic", and

☐ A range of Paloma shoe-linings better than anything previously produced here, as well as a range of "Sunglow" patents.

# Proposed Jaguar-Coastal takeover deal turns sour

Star 10/12/88

187

JOHN SHERROCKS

DURBAN — A takeover deal between shoe manufacturer Jaguar Holdings and Coastal Clothing appears to have gone sour, with directors of the footwear company withdrawing their support for the purchase.

Durban's Coastal has told the Pietermaritzburg company it is taking legal action because the sale is not going ahead Jaguar directors say they cannot recommend to shareholders that the sale be concluded

A general meeting to consider the deal is expected to be held as planned next February

Major shareholders will vote against the proposal, the directors say

A probable reason for the change of heart at Jaguar is Coastal's dismal performance in the half-year to August when earnings slumped to 2,79c a share (8,28c previously)

Since then Coastal's shares have dropped to 36c from the 50,25c value placed on them when the purchase offer was announced in July.

In July it was announced that Jaguar had bought 76 percent of Coastal from its majority shareholders and that a similar offer would be extended to Coastal minorities

The offer was either R30 plus 27 Jaguar shares or 87 Jaguars for every 100 Coastals held

MANUFACTURING - FOOTWEAR

1989

# Management restructuring at Edworks

CHARLOTTE MATHEWS

187 BDay 8/2/89

A MANAGEMENT restructuring, prompted by the rapid growth in black rural shoe stores, has taken place in the Edworks group

Group MD Stewart Dodo said yesterday local manufacture had shown real growth in the second half of 1988 for the first time in four years, driven by an increasingly affluent black consumer

Chris Hinde has been appointed CE of Edworks Footwear Stores

# M & S Spitz Footwear lifts taxed profit, raises dividend

187

Star 9/2/89

M&S Spitz Footwear's taxed profit for the six months to November 1988 rose to R1,36 million (R723 000 for the same period last year)

Profit for the year to the end of May was R2,43 million

An interim dividend of 4c has been declared (3c in 1987)

Profit attributable to shareholders for the period was R1,35 million (R716 000) and R1,347 million for the previous financial year

**TURNOVER**

The directors say the increase in turnover was 40 percent.

Pre-tax profit rose by 180 percent

They say trading in December and January continued to exhibit the pattern shown previously.

The directors say they expect rising interest rates to affect turnover in the second half of the year.

But they expect taxed earnings to at least equal that of the previous year —Sapa

# Bolton gets M&S Spitz

187

Star 10/2/89

Bolton Footwear has acquired a controlling interest in M&S Spitz, the holding company of A&D Spitz

A consortium of Bolton Footwear, M&S Spitz management and overseas investors has bought the Spitz family's 76,25 percent shareholding

Bolton will have an effective 37 percent holding in the company and management control

An offer will be made to minorities

Bolton is paying cash of less than R5 million — Sapa

# Family sells major stake in M&S Spitz

10/2/89 (187) B/Day

Business Day Reporters

THE Spitz family has sold its 76,25% stake in M & S Spitz to a consortium comprising Bolton Footwear, M & S Spitz management and overseas investors

Bolton Footwear (Bolwear) has bought 37% of the footwear group and management control for just under R5m cash.

M & S Spitz is the holding company for up-market shoe chain A & D Spitz.

Executive chairman Anthony Spitz, who has been at the helm for 31 years explained last night why the family sold. "I've found that the business had been so well run over the past year by the MD that the same drive was not there"

The Spitz management team, led by MD Peter Bolliger, will be staying on in their positions and will have a stake in the business

Bolwear MD Sid Finlayson said the deal would strengthen the group's position in the footwear industry

The deal would have increased Bolwear's earnings by 13,7% in the year to end February 1989 but would have had virtually no impact on net worth.

Spitz shares closed yesterday at 150c.

An offer will be made to Spitz minorities in due course.

# Bolton clicks with Spitz

S/Times 12/2/87

(187)

By Ian Smith

**BOLTON Footwear has gone a step ahead of competitors by snapping up a major stake in upmarket shoe retailer A&D Spitz.**

A consortium of Bolton Footwear, Spitz management and foreign investors has bought the Spitz family's 76,25% shareholding in the chain's listed holding company, M&S Spitz

Bolton will have an effective 37% of the company and have management control, says Bolton Group executive director Brian Puchert

Bolton Footwear will pay nearly R5-million in cash An offer will be made to minorities, either through a standby offer or a scheme of arrangement

The deal will have virtually no effect on Bolton's net asset value, but it would have increased earnings in the year ending this month by 13,7%, says Bolton Footwear managing director Sid Finlayson

The group performed strongly in the half-year to August 31, increasing attributable profit by 33% to R2,7-million on an 18% turnover lift to R55-million Earnings in the half-year were 13,5c a share compared with 10,1c in the same time of the previous year

Mr Finlayson says the acquisition is in line with the company's philosophy of strengthening its position in the footwear industry "It also opens the way for opportunities in the wider fashion sector"

He says it is important that the Spitz management team, led by managing director Peter Bolliger, will stay on and have a stake in the business. In the half-year to November the retail group increased turnover by nearly 40%

Bolton Footwear has operated its Shoerama retail chain in the Western Cape for some years But Shoerama is in a different market sector and the 39-store A&D Spitz chain is in most of the SA's main centres.

"There is no clash and the two chains fit together well," says Mr Finlayson. "Expansion in the retail market has been one of our strategic aims

"Strengthening our exposure at the upper end of the market is important in terms of growth and helping us to gain a full understanding of the demands of the retailer and the customer"

Bolton is heavily involved in the manufacture of branded, high-quality footwear and the inclusion of foreign shareholders in the consortium will open access to international styles and technology

# Conshu steps ahead on 25% income growth

Business Day Reporter

FOOTWEAR manufacturer Conshu Holdings maintained its steady growth pattern with a 25% rise in attributable income to R11,8m in the six months to December

Group CE Robert Feinblum says continued attention to rationalisation and improved productivity, combined with growth in product sales, were the main factors in the interim results

Earnings a share increased to 28,3c from 23,3c, with growth at this level marginally diluted by a slight increase in the issued share capital after two small acquisitions

The interim dividend has been lifted to 9c a share from 7,5c, with cover retained at 3,1 times Cover for the full year should, however, be in line with the 2,5 times for 1988

Feinblum says rationalisation, which started after the merger with SA Breweries' SA Footwear in early 1987, continues to be a top priority

The group's balance sheet shows a slight increase in gearing, after virtually no debt at the end of the last financial year However, this is more than compensated for by a rise in fixed assets

# Conshu on good footing

Star 16/2/87 (187)

By Ann Crotty

On a turnover increase of 15 percent, Conshu has turned in a 21,4 percent rise in earnings for the six months to December

Turnover rose to R202 million (R175,6 million) and pre-tax income was up 21,7 percent to R23,6 million (R19,4 million). Attributable income increased 25 percent to R11,8 million (R9,4 million)

Earnings per share — on an increase in the number of shares in issue — rose 21,4 percent to 28,3c (23,3c). An interim of 9c (7,5c) has been declared.

The results reflect an improvement in operating margins from 11 percent to 11,7 percent Chief executive Robert Feinblum says "Continued attention to rationalisation and improved productivity, combined with growth in product sales, were the main factors behind the results"

The balance sheet shows a slight increase in gearing Fixed assets have risen significantly

Management says imported footwear continued to pose a challenge, but internal developments meant the group was better placed to meet competition

Target markets are the high-profile, branded products in the medium to better quality end of the market Management expects the full year to at least match growth shown at the halfway stage

# 'Tacky' sales take a big step forward

B/Day 2/3/89

CHARLOTTE MATHEWS 187

PRODUCTION of canvas shoes doubled in November to over half a million pairs for the month, bringing total production for the 11 months up 35% over last year

Demand for the canvas "tacky"-style shoe has shown a stronger rise than any other during the year It is made in about 10 factories in SA by two main groups, Conshu and Futura (ex-Bata)

Futura MD Anthony Carnecky said yesterday there were two reasons for the upsurge in demand

"Firstly canvas shoes are becoming very much a fashion item and secondly imports have fallen, though it is difficult to give exact figures"

Conshu CE Robert Feinblum said the stimulus to production had come from the import duties and the devaluation of the rand His company had only recently entered the canvas-shoe market in a serious way in the last few months and had already doubled production

"We are hoping to develop in this area where we can see an opportunity," he said

# Amshoe abandons plan to buy Coastal Clothing

B Day 28/3/84

187

SYLVIA DU PLESSIS

AMALGAMATED shoes — Amshoe — has abandoned its plans to buy a 76% controlling interest in Natal-based Coastal Clothing Manufacturers.

The company announced this today and said a general meeting scheduled to consider the proposal had been called off

The announcement is the latest in the ongoing dispute between Coastal and Amshoe and follows the decision by Lenco Holdings — Amshoe's major shareholder — to block the acquisition

Lenco's holding in Amshoe increased after the footwear manufacturer, then called Jaguar, acquired Budget Footwear in December last year for R30,5m

The resolution to approve the deal was to have been proposed at Amshoe's general meeting, originally scheduled for last month and to have been convened in terms of the Coastal acquisition agreement

The dispute centres around the general meeting — one of the conditions of the Coastal purchase contract signed last year — and whether Amshoe MD and major shareholder Roy Eckstein is bound by a clause in the acquisition contract to vote in favour of the purchase

Eckstein originally undertook to vote in favour of any resolution to approve the Coastal transaction, according to Amshoe's announcement published today

In terms of the Budget Footwear transaction, Lenco passed conditional voting control of its Amshoe holdings in favour of Eckstein

However, Lenco's support of Eckstein's voting rights will not be extended in his favour in respect of the Coastal transaction, Amshoe said

## Decided

"Therefore, the resolution will be defeated and the Coastal acquisition agreement will not be implemented," Amshoe said in a statement

"Accordingly, the board of directors of Amshoe has decided that the convening of the general meeting of Amshoe be dispensed with"

Coastal MD Bernard Cohen confirmed last night that his company would be proceeding with legal action against Eckstein and Amshoe for not fulfilling the terms of the transaction agreement and was planning to issue a summons on them

He said he had no prior knowledge of Amshoe's latest statement

He doubted whether it had any legal bearing, since neither Lenco nor Budget had any *locus standi* in the matter

One condition of the purchase contract — signed on July 1 last year — was that a meeting of shareholders be convened

A second condition was the JSE's approval of the transaction

According to Cohen, neither party had fulfilled these obligations, in spite of having been informed by Coastal in December that they had 14 days to remedy the breaches

"We want Eckstein and Amshoe to perform their obligations Lenco and Budget were not parties to the transaction, so they can't call the shots, but Eckstein has allowed them to put a clamp on the deal," he said

"We will definitely take action when we see fit We believe in the sanctity of contract and the parties concerned should act with decorum"

Eckstein and Amshoe had not at any stage repudiated the agreement, he added

When contacted yesterday, Eckstein said Amshoe would probably contest the legal proceedings, but declined to comment further

April 24 1989

# Amshoe triples income to R15,5m

BDay 24/4/89 (187)

CHARLOTTE MATHEWS

THE success of the Jaguar-Budget merger into Amshoe in March 1988 is reflected by the tripling of attributable income to R15,5m in the group's results for the year to February, released today

Combined Jaguar and Budget figures from March 1988 to February 1989 are given, with total figures including Jaguar's January and February 1988 results since Jaguar's previous year-end was December

The figures are compared with Jaguar's 1988 results

Earnings of 27,9c a share for the 14 months are 80% higher than Jaguar's previous 15,5c and 63% higher for the 12-month period — in spite of the increase in the number of shares in issue

A dividend of 7c (Jaguar paid 4c in 1987) will be paid

Amshoe CE Roy Eckstein says the dividend cover is being increased to fund further expansion

Jaguar and Budget were both footwear companies, but as a result of the merger Amshoe is diversifying into PVC and EVA soling and foam sheeting for the manufacturing, mining and construction industries, which is seen as contra-cyclical expansion

Eckstein said the full benefits of the synergies of the merger were only coming into effect now and would have a favourable effect on the group's 1989/90 results

He said outstanding results for the current financial year could be expected as a result of additional production capacity, full order books and tight control of costs and assets

# Bolton reports a better performance

Bolton Industrial

(187)

TANIA LEVY

BOLTON Footwear — included in the consortium which recently acquired a controlling interest in M&S Spitz — has stepped up profits 33% in the year to February

A dividend of 6,4c a share has been declared after the footwear group's attributable profits grew to R6m (R4,6m) or 30,3c (22,8c) a share

The M & S Spitz deal, concluded earlier this year, would have increased Bolton's earnings by 13,7% in the year to February

However, Bolton Footwear's profit growth was insufficient to offset the poor performance of Cargo Carriers, the second subsidiary of Bolton Industrial Holdings

The holding company's earnings dropped nearly 5% to R6,2m (R6,5m)

Nevertheless a final dividend of 22c (24c) a share has been declared

EDWARD WEST reports that Bolton Properties, of which Cargo Carriers has a 63,8% holding, more than doubled earnings to 16,9c a share from 7,8c a share the year before

A 10c dividend is payable

In the year to February, turnover rose 54% to R2,5m from R1,6m Pre-tax income doubled to R1,7m from R788 000 Tax increased to R873 000 from R403 000, resulting in an attributable income of R873 000

# Storeco to raise R17-m

Finance Staff

To facilitate the expansion of the Storeco Group, the company's operations will be re-listed in a re-named subsidiary, Speciality Stores, and R17 million will be raised through a rights issue by the new group.

Storeco will become the pyramid company of the group with its sole investment being its holding in Speciality Stores, which will consist of the Milady's, The Hub, Mr Price and Footgear stores.

Over 5,2 million new shares will be issued in Speciality at 325c each, while the relationship between the two companies will be that two Speciality shares will equal one Storeco share

Joint MD Stewart Cohen said the funds raised through the rights issue would facilitate the continued expansion of the Milady's and Hub chains, as both businesses were predominately credit businesses and additional working capital was necessary to fund growth.

Star 11/4/89

187

COMPANIES

# Lenco profits soar

Business Staff

LENCO showed a 74 percent increase in attributable income to R14,2-million, primarily due to several profitable acquisitions in the clothing sector during the year to February 1989

A 73 percent increase in turnover to R207,5-million (R120-million) was due mainly to the consolidation of the results of Amshoe, in which Lenco has a 51 percent share, said chief executive Doug de Jager

Lenco's interest in Amshoe resulted from a transaction in which Lenco subsidiary Budget Footwear's operating divisions were acquired by Jaguar Holdings Jaguar was subsequently renamed Amshoe, and the listed budget cash shell was retained by Lenco

Mr de Jager was particularly pleased with improvements in the House of Monatic which reflected improved efficiencies in the manufacturing operation

Attributable income grew from R600 000 to R8,2-million, following some highly profitable acquisitions, including Rich Rags and Monatic

The dividend paid was 40 percent up at 7c a share

Mr de Jager said the acquisition of premises for the two Atlantis divisions were made in the latter portion of the year at a value which directors believed would be of particular benefit once interest rates came off their present high levels

● Adcock-Ingram, helped by the first-time inclusion of Saphar-Med and strong performances by all divisions, reported figures for turnover and operating profit well ahead of expectations

In the six months to March, it lifted turnover by 44 percent to R215,9-million and operating profit grew 51 percent to R30,3-million

After tax at 46 percent, attributable income rose 37 percent to R16,1-million

The dividend has been lifted by 55 percent to 17c a share

● Rand Mines Properties (RMP) increased its bottom-line profits by 42 percent from R8,7-million to R12,4-million in the six months to March 31 1989

The interim dividend is 33 percent up at 40c a share

The higher earnings reflect a turnaround of almost R7-million in the operating profits of the property division and a steady contribution from gold recovery operations

However, the directors warned that second half results would be significantly lower than the first half, taking into account current gold price trends and the outlook for property sales, which must clearly feel the pinch of higher interest rates

After-tax profits for the full 1989 year are forecast at about R21-million, compared with the record R27,8-million earned in 1988

NEWS 26/4/89

B/Day 12/5/89 187

BURHOSE SA has acquired a controlling interest in Cape-based pantihose manufacturer Golden Girl Hosiery, chairman Ivan Posniak announced yesterday

He said "Golden Girl will continue to be managed by its existing team

"Although it will operate autonomously and trade independently, it will enjoy a variety of benefits through its association with Burhose SA "

CHARLOTTE MATHEWS

Burhose is a division of Hunts Limited, which manufactures and exports pantihose Brand names include Cameo, Escort, Activ Alive and Christian Dior

51 Tues 14/3/89

# R21m Jordan for Conshu

(187)

By Don Robertson

**CONSHU Holdings has bought Jordan Shoes from Safren for R21-million and plans to list its subsidiary, Wayne Rubber.**

Jordan, one of the largest footwear manufacturers, will be bought for R11-million in cash and 2,5-million Conshu shares

Subject to shareholder approval, Wayne Rubber will be listed through a reverse takeover of Phoenix Rubber in a deal worth almost R50-million.

Conshu will get 48,2-million Phoenix shares in exchange for Wayne Phoenix is trading at 95c, which will put a value on the combined company of about R60-million When listed, Conshu will control 82% of the new company

Phoenix will change its name to Wayne Rubber and will have a turnover of about R130-million and forecast pre-taxed profits of about R15-million

The Wayne listing is intended to separate the industrial activities of Conshu from its core business of footwear manufacture, says chief executive Robert Feinblum The listing will open the way for expansion by both sides of the group and will pave the way for growth of Conshu's footwear operations

Wayne is a leading processor of rubber and PVC, providing products for all sectors of the industry Phoenix evolved from Sarmcol and makes products for more specific divisions of the market Mr Feinblum will be chairman of the new group and existing executives of Phoenix and Wayne will remain on board

## Expansion

The hiving off of Wayne will strengthen Conshu's balance sheet Wayne's gearing has risen in past years after major expansion and refurbishing of plant This position is expected to be rectified.

The two deals would have had little effect on results of Conshu, Safren or Wayne had they been in place for the year to June. However, there are expected to be benefits in future New tariffs imposed on the import of footwear have strengthened the position of SA manufacturers

# Sam Steele is cautious about future

187

**BRENT MELVILLE**

STREAMLINED Sam Steele Holdings is cautious about the future in spite of improving its after-tax profits by 69% for the year to end-August

The group has disposed of its subsidiary company, Johannesburg Industrial and Commercial Investments, in exchange for 50% of Tranvaal Platinum Consortium in order to concentrate on its furniture manufacturing and retailing activities

In his annual report, chairman Hector McNeil cited increased interest rates and the demands made upon the industry to repay the GST allowance in respect of HP debtors prior to the introduction of VAT, as main reasons for the uncertainty

In spite of this pessimism, the group managed to increase turnover by 49% to R100m (R67m) and raise operating profit by 53% to R8m (R5,2m) on bettered margins of 8% (7,8%) last year

This figure reflects the disposal of the group's electronic, computer, engineering and food and catering subsidiaries which added R27,8m to the R72m manufacturing and retail turnover figure

In lieu of a final dividend payment, the directors proposed a capitalisation issue on the basis of five tax-free shares for every 100 shares held

The 47% reduction of dividend outlay from R562 000 to R300 000 and a reduced tax bill of R7 000 (R70 000) contributed to the 67% rise in the attributable profit figure of R2,3m (R1,4m)

However, gearing jumped to 152% (121%) as a result of a 26% increase in borrowings to R44,3m (R35,2m)

On a share price of 38c, 22c below its high last May, the group shows an historical dividend yield of 5,3% and a p e of 2,5, below the sector's averages of 7,4% and 4,4 respectively

# Conshu Holdings ties up deals worth R70m

BDay 15/5/85 (187)

ZILLA EFRAT

FOOTWEAR manufacturer Conshu Holdings has acquired Jordan Shoes from Safren for R21m and will list its subsidiary Wayne Rubber through a reverse takeover of Phoenix Rubber in a transaction valued at almost R50m

The new listed company, Wayne Ltd, is expected to produce a turnover of about R150m and taxed profits of R15m.

Conshu will have an 82% stake in Wayne after obtaining 48,2-million new Phoenix shares in exchange for Wayne's business and assets Phoenix is valued at under R10m, with a current market price of 95c a share The new market capitalisation will be about R60m

MEMBERSHIP

KAISER CHIEFS . . one of Puma's top first division soccer teams

16/5/84

# Making a mark in sport

187 6109 5/87

WHILE top sporting teams and personalities make their mark through determination and sweat, Puma has played a major role in geting many of them to the top

Puma, manufactured, imported and distributed exclusively by Amshoe company Jagsports, actively promotes and sponsors rugby, boxing, tennis, cricket, running and soccer — the biggest sports in SA

Puma's soccer teams have been top achievers for years and include Kaiser Chiefs, Cosmos and Giant Blackpool

The bottom line to the sponsorship venture is clearly shown by Puma's secure position as the market leader in the soccer kit and sportswear markets

Puma is set to make significant inroads into the SA cricket market with an all-new range of cricket boots and shoes, which has received endorsement from the Australian Cricket Board and has the support of top SA cricketers, such as Springbok Clive Rice

From the days of the great Brazilian soccer wizard Pele, through to tennis stars Martina Navratilova, Boris Becker and today's famous soccer player Diego Maradonna, Puma has managed to attract and sign up leading players and teams to successfully carry its brand name and don its sports kit

There is little doubt the winning exposure abroad has, and will continue to have, a major effect in SA

Puma makes a substantial contribution to the sponsorship of sport in SA

Soccer gets the lion's share of Puma's sponsorship budget with eight of the 18 major first division National Soccer League teams playing under its banner

Over and above the first division commitment, Puma actively sponsors, supports and promotes soccer in the second division, the lower leagues, the mining leagues and the Eskom league

As rugby is as an amateur sport, Puma has opted for sponsoring coaching clinics

Puma also has contracts with the hockey associations and is responsible for all clothing and footwear for the men's and women's national teams, as well as under-21 and school teams

On the running track, the company sponsors world 10 000m track champion and record holder Mathews Temane

# Keeping the customers happy

16/5/89

KEEPING 6 000 footwear customers happy when they are scattered throughout the country is not an easy task However, Amshoe has improved its services — particularly to the smaller retailer

Through a distribution centre with a difference, wholesale operation Falkow Bros provides a facility which is based on an in-stock service and carries a comprehensive range of footwear at all times

The operation is in line with the growing demand from small retailing outfits, many with cash-flow constraints which do not permit the ordering of enough stocks to last several months.

The range comprises shoes and some boots made not only at the various Amshoe factories, but also to be supplemented by footwear turned out by other manufacturers

Purchases are made from the Far East, when certain types of locally made footwear cannot be produced cheaply enough

The in-stock footwear will fit the needs of most men, women and children

# Propects look good for new company

187 BDay 16/5/89.

AMSHOE

THE merger of Jaguar Holdings and Budget Investment Holdings into the single company Amalgamated Shoes (Amshoe) has been an immediate success, says Amshoe chairman Roy Ekstein

Turnover has shown an increase of 46,5%, dividends have improved by 75%, operating profit is up 58,6% and earning per share have grown 63%

The future prospects of the group indicate a conservative growth projection of more than 30% in turnover and corresponding profits for the new financial year

Nine companies of Jaguar Holdings, which was listed on the JSE in August 1987, and three companies of Budget Holdings have been brought together in the recent merger

The synergy of the two companies can be seen in their original market positionings

Jaguar, which began operations in 1965, originally manufactured and distributed ladies and children s footwear aimed at the medium- to lower-priced sectors of the market

Budget, which began operations in 1971, has its origins in manufacturing and supplying popular ladies', men s and children's footwear to the SA consumer

The compatibility of the two companies, coupled with the depth of management expertise, has been the catalyst in ensuring an immediate synergy when developing new markets and the growth of existing markets

Amshoe now comprises the former nine divisions of Jaguar and the three divisions of Budget, which have been streamlined into three divisions shoe manufacturing, component manufacturing, and wholesale/supply

Besides further synergistic benefits this year which Ekstein forecasts, Amshoe will be expanding its footwear production from the current 40 000 pairs of shoes a day

He says all factories are running flat out with maximum permissible overtime being worked

Additions to plant and machinery currently being implemented will not only increase production but afford development of new products and improve returns on assets managed

## Famous

With the experience and expertise of management at all levels Amshoe is well placed to take advantage of the expansionary phase in the SA footwear industry, the growth in supply of footwear components import replacement, exports and expansion into decentralised areas

Over and above the potential which exists in the footwear industry Amshoe through Jagsports the franchisee of the internationally famous Puma range — will benefit from the contribution of the restructured Puma sports apparal division

## Meet the management

**AMSHOE boasts a strong top management team of skilled and experienced executive directors**

- **Chief executive Roy Ekstein** manages the team of directors and has been in the shoe manufacturing industry for 24 years He is a commerce graduate with a diploma in footwear manufacture and design
- **Doug de Jager** is an Amshoe non-executive director and Lenco chairman. He has been a leading figure in the success of Monatic and Carducci clothing ranges
- **Christo Weise**, an Amshoe non-executive director, is chairman of the highly successful and expanding Pep Stores retail chain His experience and knowledge of the retail environment ensures Amshoe is accutely aware of the market's requirements and expectations.
- **Harry Spain**, an Amshoe non-executive director, is Columbia Corporate Finance chairman He is an experienced, astute and well respected financial man in the SA business environment.
- **Stanley Stubbs** is also an Amshoe non-executive director He is Lenco financial director, overseeing all of the group's financial matters
- **John Ward**, Amshoe Group financial director, is a

Business Day
SURVEY

*Trading results recently released by the restructured Amshoe Holdings Group, first listed on the JSE as Jaguar Holdings in 1987, exceeded expectations. In this special report* **LYNN CARLISLE** *examines the operations and market prospects of the group's various divisions.*

B10916/5/84

# Plans are afoot to expand divisions

187

AMSHOE has taken a positive stance in planning to improve or extend operations in the manufacture and supply of footwear

The shoe manufacturing division comprises seven companies based in Durban, Maritzburg, Lesotho and QwaQwa

"This enables Amshoe to offer an extensive range of infants', kids', youths', ladies' and men's footwear across all categories from formal to casual footwear," says Amshoe chief executive Roy Ekstein

At its latest board meeting, Amshoe management concluded that prospects for the new group are bouyant and particular attention would be paid to those areas in the footwear and clothing market where more inroads can be made

## Expand

Outlining plans to upgrade or extend operations, Ekstein says production capacities in the divisions will be increased by the replacement of certain outdated machinery with modern, hi-tech equipment

Sustained and significant growth is the outlook for Amshoe and the group has plans to improve and expand the shoe manufacturing divisions. Ekstein explains what these divisions are about

Maritzburg-based Jaguar Shoes manufactures medium to lower priced ladies' and children's footwear for major chain stores and wholesalers

A seperate department within the company will continue to handle imported footwear, to supplement its range with products which cannot be made locally at competitive prices

Ekstein says a decision to expand Budget Footwear in Lesotho will realise new opportunities coupled to equally attractive returns

"This is attributable to the existing infrastructure, the guidance available from the Lesotho National Development Corporation and the geographical position in relation to the South African markets"

Recently completed additions to the Mustang Shoe factory in Lesotho, now 6 500m², will enable the company to continue with its upward surge in sales

In the QwaQwa-based Reva Shoe factory, the emphasis will be on improved productivity

With the rights to manufacture and distribute the Puma range of footwear, clothing and accessories, Jagsports is well positioned to capitalise on this renowned brandname

Jagsports has an SA "first" in the footwear industry with the introduction of a capital intensive two-colour sole direct injection moulding PVC machine

Using locally produced raw materials, this new equipment ensures better quality and greater versatility at more competitive prices, says Ekstein

Situated in Maritzburg, Delta Shoes manufactures ranges of both formal and casual men's shoes The company is geared to take full advantage of the import replacement market, with established brand names like Steven Charles and Delta

Amshoe Holdings

# Merger pays off in annual results

BDay 16/5/89

187

TRADING results have exceeded all expectations for Amshoe in its first year of operation since the merger of Jaguar Holdings and Budget Holdings

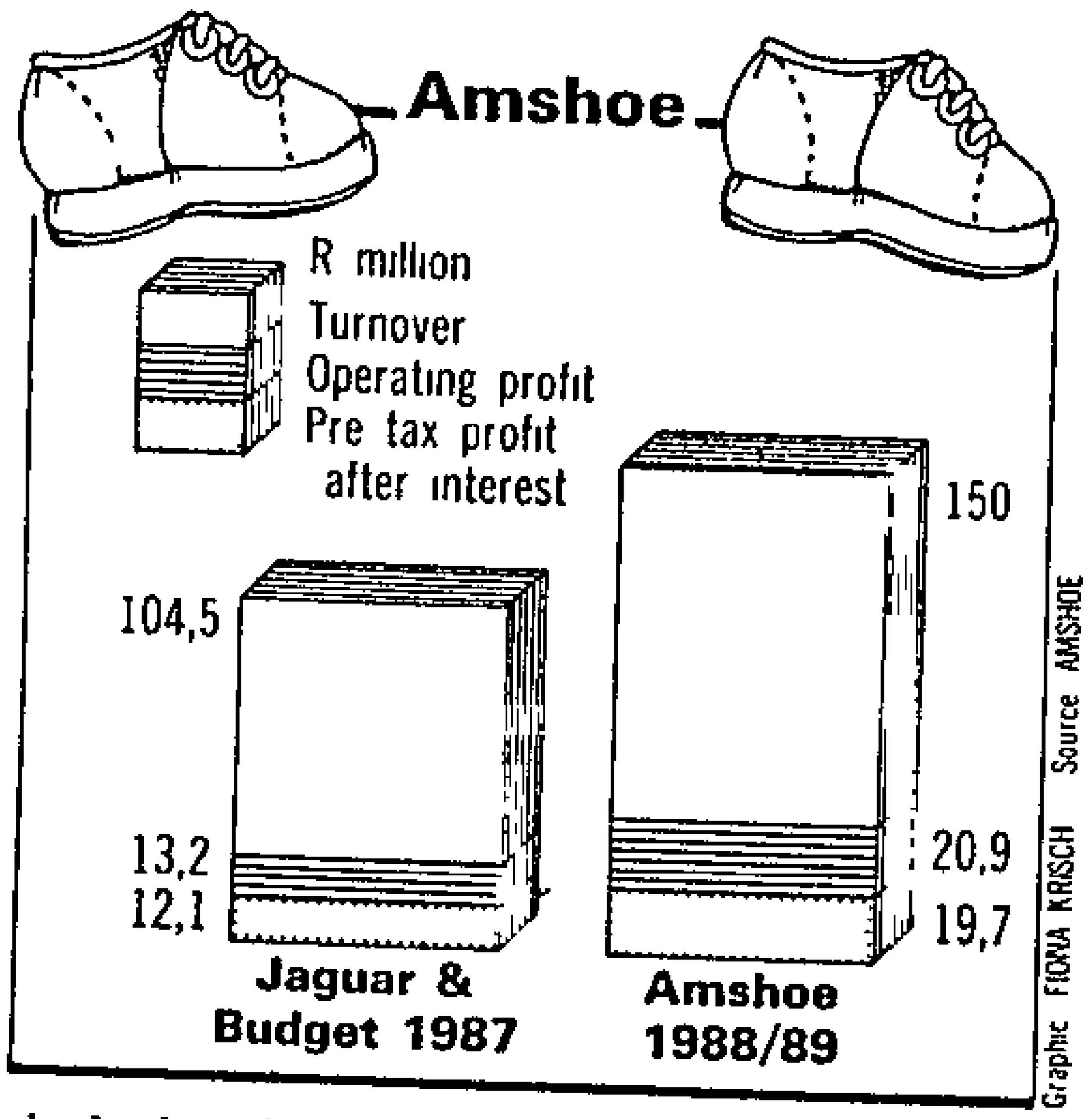
The results have also entrenched the group's position as a major player in the footwear industry

Despite the increase in the number of shares in issue to facilitate the Budget acquisition, earnings per share (eps) of Amshoe (previously Jaguar) surged 63% to 25,3c per share on an annualised basis Group earnings soared to R14,5m — considerably up from that achieved previously

Operating income has exceeded R20m, with turnover in excess of R149m

Commenting on the results, Amshoe CE Roy Ekstein says "With the protection afforded the local footwear manufacturers some time ago, significant investment was made in increasing production capacities to replace shoes previously imported into the country

"All plants within the group have run at full capacity, with current production exceeding 40 000 pairs a day, in order to fulfil the order book, and this has impacted favourably on our financial results"




Ekstein says further additions to machinery have been made since year-end and production capacities have been increased

"The benefits of synergies of the merger are only now coming into effect and will have full impact on our 1989/90 results"

Plans to locate Budget's expansion in production into low-cost decentralised areas, and to enlarge the group's factories already established there, have been approved

This expansion will assist in ensuring that low tax rates for the group will continue For the period just ended, the effective tax rate was a low 26%

An interesting feature of the Jaguar/Budget tie up is that it has enabled the group to diversify out of the footwear industry and provide contra-cyclical implications for its manufacturing facilities

Significant research and development is being invested in the footwear component plants, which provide PVC and EVA soling to the footwear industry and cross-linked foam sheeting for the manufacturing, construction and mining industries

Ekstein confirms this investment has tremendous scope for further development and will in due course become a significant contributor to group profits

A dividend of 7,0c (1987 — 4,0c) has been declared with the dividend cover increased to fund future expansion

Amshoe's balance sheet reflects a sound financial structure, with gearing levels at around 28% and group net asset value in excess of R49m

This places the group in a strong financial position to fund its capital expenditure programme, he says

Ekstein anticipates outstanding results for this financial year due to the additional production capacity, a full order book, the group's attention to rationalisation of its facilities and tight controls on cost and asset management

# Sanctions are no threat to Jagsports division

187

BDay 16/1/84

DISINVESTMENT poses no threat to Amshoe and its Jagsports division, which has the local franchise to manufacture, import and distribute the internationally renowned Puma range of sports and casual apparel and footwear

Jagsports MD Meyer Greenspan says this franchise has been held for the past nine years and Puma head office in Germany has signed a long-term contract with Amshoe

Securing future bonds with a parent producer is an important achievement amid growing pressure abroad to disinvest

"This achievement is vital for continuity of supply and growth, particularly as Jagsports is now expanding Puma products into exciting new segments in the local market," he says

Many of the large chains and companies not only seek the assurance that continuity of supply is guaranteed, but that the latest technology used to improve products is freely available, he adds

## Energy

"Being able to meet these needs in the future has injected confidence into Puma's local marketing strategy with big organisations," says Greenspan

In the past nine years, tremendous energy has gone into the Puma footwear ranges, but this has been at the expense of the opportunity which has existed in the apparel market

While the rest of the world has a split of about 50% Puma footwear and 50% Puma apparel, in SA it is about 90% to 10%

Puma aims to remedy this and has developed a new apparel division

This complements the existing sports and casual footwear ranges and will design and develop the Puma lines of sport and multi-sex casual apparel on a CMT (cut, make and trim) basis

3/10-4/16/3/87

# All retailers well served by wholesale division

(187)

A STRONG wholesale division is in place at Amshoe to support the manufacturing divisions, which are well placed to continue their upward organic growth

The firmly established wholesale operation of Berbi and Falkow Bros will continue to service the growing demand from retail outlets, particularly the smaller retailers with cash flow constraints that do not permit the ordering of sufficient stocks to last several months

Falkow Bros is based on an in-stock service and at all times carries a comprehensive range of footwear, comprising shoes produced by not only Amshoe factories but also those of other manufacturers, together with imported lines

Imported lines are undertaken when certain types of locally made footwear cannot be produced at competitive prices

Berbi which is the wholesale division of Puma, services the retail trade out of Durban, Johannesburg and Cape Town

While offering a complete and comprehensive range of Puma sports and casual footwear, Berbi also offers an in-stock service with regard to the active sportswear and apparel ranges

AN

TORS

# Propects look good for new company

187 B/Day 16/5/89.

## AMSHOE

THE merger of Jaguar Holdings and Budget Investment Holdings into the single company Amalgamated Shoes (Amshoe) has been an immediate success, says Amshoe chairman Roy Ekstein

Turnover has shown an increase of 46,5%, dividends have improved by 75%, operating profit is up 58,6% and earning per share have grown 63%

The future prospects of the group indicate a conservative growth projection of more than 30% in turnover and corresponding profits for the new financial year

Nine companies of Jaguar Holdings, which was listed on the JSE in August 1987, and three companies of Budget Holdings have been brought together in the recent merger

The synergy of the two companies can be seen in their original market positionings

Jaguar, which began operations in 1965, originally manufactured and distributed ladies and children's footwear aimed at the medium to lower priced sectors of the market

Budget which began operations in 1971, has its origins in manufacturing and supplying popular ladies', men's and children's footwear to the SA consumer

The compatibility of the two companies, coupled with the depth of management expertise, has been the catalyst in ensuring an immediate synergy when developing new markets and the growth of existing markets

Amshoe now comprises the former nine divisions of Jaguar and the three divisions of Budget, which have been streamlined into three divisions shoe manufacturing, component manufacturing, and wholesale/supply

Besides further synergistic benefits this year which Ekstein forecasts, Amshoe will be expanding its footwear production from the current 40 000 pairs of shoes a day

He says all factories are running flat out with maximum permissible overtime being worked

Additions to plant and machinery currently being implemented will not only increase production but afford development of new products and improve returns on assets managed

### Famous

With the experience and expertise of management at all levels Amshoe is well placed to take advantage of the expansionary phase in the SA footwear industry the growth in supply of footwear components import replacement exports and expansion into decentralised areas

Over and above the potential which exists in the footwear industry Amshoe through Jagsports the franchise of the internationally famous Puma range -- will benefit from the contribution of the restructured Puma sports apparal division

### Meet the management

AMSHOE boasts a strong top management team of skilled and experienced executive directors

☐ **Chief executive Roy Ekstein** manages the team of directors and has been in the shoe manufacturing industry for 24 years He is a commerce graduate with a diploma in footwear manufacture and design

☐ **Doug de Jager** is an Amshoe non-executive director and Lenco chairman He has been a leading figure in the success of Monatic and Carducci clothing ranges.

☐ **Christo Weise**, an Amshoe non-executive director, is chairman of the highly successful and expanding Pep Stores retail chain His experience and knowledge of the retail environment ensures Amshoe is accutely aware of the market's requirements and expectations

☐ **Harry Spain**, an Amshoe non-executive director, is Columbia Corporate Finance chairman He is an experienced, astute and well respected financial man in the SA business environment

☐ **Stanley Stubbs** is also an Amshoe non-executive director He is Lenco financial director, overseeing all of the group's financial matters

☐ **John Ward**, Amshoe Group financial director, is a b\Day 18/5/89

# Shoeshine takeover at the JSE

(187) BRENT MELVILLE

DIAGONAL Street's fiercely competitive shoeshine industry has been shaken by the merger of two rival camps

Nugget Shoeshine has bought out its rival shoeshine outfit, Mr Nugget, for an undisclosed sum and summarily shoeshine prices have rocketed by 50% at the revamped Mr Nugget stall.

A basic shoeshine will now cost JSE patrons R1,50, as opposed to the previous Mr Nugget cost of R1

Conversely, Nugget prices have been reduced by 50% from R2 to R1,50

Reactions to the move vary, with some stockbroking analysts believing the move is in the best interests of the shoeshine sector

## Skyrocket

However, one stockbroker has cried "foul" and has come out firmly against the consolidation, saying that with increased demand prices would "skyrocket".

Some disgruntled patrons view the move as monopolistic and believe there are grounds for intervention

A Davis Borkhum & Hare analyst believes the buyout has come at a crucial juncture "With winter approaching, the dusty build-up on shoes is immense," he said

Analysts further consider the possibility of a bull-run in the retail shoe market, saying that the increase in shining costs could be an incentive for many in the business community to "run out and buy new shoes"

# Bolton seeks expansion through Spitz

B/Day 14/6/89.

CHARLOTTE MATHEWS

(187)

BOLTON Footwear chairman Bill de la Harpe Beck says purchase of a controlling interest in M & S Spitz is part of a plan to be a major force in footwear

In February Bolton bought the majority equity in Spitz, in conjunction with an international organisation, to expand its footwear retailing

Bolton says it is primarily in footwear — manufacture, wholesale and retail — but has interests in construction and motor dealerships

Beck warns in the group's annual report the rate of increase in profits — a 33% rise in attributable profits over 1988 was reported for the year to February — is not likely to continue under current economic conditions

"The footwear industry continues to be burdened by the high demand for working capital and the ever-increasing cost of plant and machinery for which it is largely dependent on foreign suppliers," says MD Sid Finlayson

He adds the company has also paid higher finance charges during the year because of raised interest rates

"The group is nonetheless fortunate in that it has a low gearing (16,7% at February 28), thereby enabling it to finance organic growth and consider acquisitions," Finlayson says

# Footwear industry reports market-share turnaround

BDay 19/6/89 187

FOOTWEAR production in 1988 increased by 2,4% compared with 0,4% the previous year, the 1988/89 annual report of the Footwear Manufacturers' Federation (FMF) of SA said at the weekend

"Whereas 1987 saw the local footwear industry lose considerable market share in volume terms from 79% in 1986 to 67%, the 1988 situation reveals a turnaround to 80%," FMF director Dennis Linde said in the report

Footwear imports had declined by 46% compared with 1987, but very little replacement of footwear imports was channelled to local footwear manufacturers

Price increases in manufactured footwear, as measured by the Production Price Index, were contained last year at 16,3% compared with an all industries figure of 13,9%, said Linde

The same restraints were not applied to the retail sector, however, "where increases in footwear prices at point of sale were 15,9%, compared to an overall CPI figure of 12,8%"

## Consumption

On prospects for 1989, the report said "The fiscal and monetary measures introduced to curb spending are likely, from past experience, to have a greater impact on private consumption expenditure on durable goods with spending switched to semi-durables"

Linde said on the macro level SA's economic prospects could improve in the long term only if government was prepared to accelerate political reform

"Secondly, at micro level, it is essential that the government accepts that the footwear manufacturing industry is worthy of structural adjustment assistance by providing the required incentives to footwear manufacturers, ensuring that the industry can develop a strong home base protected from disruption caused by footwear imports from low labour cost countries," he said — Sapa

# Footwear industry takes step forward

Star 19/6/89

187

Cape Town — Footwear production in 1988 increased by 2,4 percent, compared with 0,4 percent the previous year, the 1988/89 annual report of the Footwear Manufacturers' Federation (FMF) said yesterday.

"Whereas 1987 saw the local footwear industry lose considerable market share in volume terms from 79 percent in 1986 to 67 percent, the 1988 situation reveals a turnaround to 80 per cent," FMF director Dennis Linde said in the report.

Footwear imports had declined by 46 percent, compared with 1987.

But very little replacement of footwear imports was channelled to local manufacturers, as could be seen from the 2,4 percent increase in volumes produced last year, the report said.

"Indications are that orders to replace imported footwear were placed with those footwear factories operating outside South Africa, such as BLS, TBVC countries and the homelands."

Price increases in manufactured footwear, as measured by the producer price index, were last year contained at 10,3 percent, compared with an all-industries figure of 13,9 percent, said Mr Linde.

The same restraints were not applied to the retail sector, however.

"Increases in footwear prices at point of sale were 15,9 percent, compared with an overall consumer price index figure of 12,8 percent."

Employment in the industry dropped by 1,8 percent in 1988 to 25 459, far short of pre-1985 levels.

With regard to prospects for 1989, the report said "The fiscal and monetary measures introduced to curb spending are likely, from past experience, to have a greater impact on private consumption expenditure on durable goods, with spending switched to semi-durables."

Mr Linde said SA's overall economic prospects could improve in the long term only if the Government was prepared to accelerate its political reform programme.

"Secondly, it is essential that the Government accept that the footwear manufacturing industry is worthy of structural adjustment assistance by providing the required incentives to footwear manufacturers to ensure that the industry can develop a strong home base protected from disruption caused by footwear imports from low labour-cost countries," he said. — Sapa.

187 Fmail 23/6/89.

FOOTWEAR EXPORTS 187

# Life on a shoestring

**There is** a touch of irony about the footwear industry gathering to discuss the theme "The World is Our Market" when its record over the last four years — exports at little more than 1% of turnover — is convincing evidence to the contrary. Yet that's just what executives did a few days ago And it seems that, at last, the footwear men are starting to address the problem

The industry has been stagnating for years Employment has dropped from nearly 30 000 in 1982 to under 26 000 today Production has barely grown, from 58m pairs in 1984 to 62m in 1988

Part of the problem lies in the industry's vulnerability to imports, particularly from the Far East In 1987, 30m pairs of imported shoes accounted for 33% of SA sales

This pressure was eased by government granting the industry protection via interim duties in late 1987 Imports declined to about 15m pairs in 1988 But this sort of protection doesn't last forever, and the industry is now being investigated by the Board of Trade & Industry (BTI)

The industry realises it stands more chance of a favourable BTI hearing if it is seen to be taking positive steps to help itself A policy document, *Stratplan 2000*, is aimed at developing a greater export effort

The bottom line for competitiveness is reduced costs The document estimates that contracting out work would reduce labour and overhead costs and make SA shoes up to 21% cheaper to produce Industry consultant Syd Cohn says that for sub-contracting to succeed, piecework rates must be paid However, he says unions have yet to accept the idea in case it undermines minimum wages

Attitudes may change It is understood unions in the UK have advised the SA union, the National Union of Leatherworkers, to accept the scheme, if the alternative is no industry and no jobs

Cohn insists sub-contracting should not be seen as a charter for sweatshop labour Indeed, he says it will probably not succeed if it can't attract skilled labour by offering better pay

In the absence of union assistance, the industry has been forced to investigate the route of economic deregulation Here, it has been helped by the proclamation last month removing restrictions on economic activities in 38 Small Business Development Corporation industrial hives and training premises

One other major obstacle remains: the industry must shake off its reputation for being a "foul-weather" exporter which jettisons foreign customers as soon as local demand recovers

It's a sin shared by several SA industries For an industry that's been on its "uppers" for years, it's one the footwear sector can no longer afford to commit ■

FINANCIAL MAIL JUNE 23 1989

# Footwear production on the increase

C/Nw Times 28/6/89

187

FOOTWEAR production in 1988 increased by 2,4% compared with 0,4% the previous year, the 1988/89 annual report of the Footwear Manufacturers' Federation of SA states.

"Whereas 1987 saw the local footwear industry lose considerable market share in volume terms from 79% in 1986 to 67%, the 1988 situation reveals a turnaround to 80%," FMF director Dennis Linde said in the report.

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S Times 2/7/89

# Down at heel for footwear

(187)

By Don Robertson

THE footwear industry expects to increase sales by as much as 10% this year, but with the threat of reduced margins, higher imput costs and increased imports the outlook is bleak

Nevertheless, Conshu Holdings, the largest footwear manufacturer in SA, is budgeting for an increase in earnings above the inflation rate

Sales in the first two months of this year rose by 12% over the same time last year There has also been a 6,5% increase in demand for labour

Overshadowing the market is an expected increase in imports, which last year fell by 46% to 15,8-million pairs from 30,2-million in 1987

This follows the introduction of interim duties by the Board of Trade and Industry in November 1987 and surcharges in May this year

As a result, imports represented 20% of total footwear sales last year compared with 33% in 1987

But executive director Dennis Linde says in the annual report of the Footwear Manufacturers Federation of SA (FMF) that although imports fell sharply last year, he expects a "substantial increase in imported footwear" this year — in spite of the falling rand

Little import replacement flowed through to SA manufacturers last year, most going to Botswana, Swaziland and TBVC countries

A total of 16 factories employing 3 000 people closed last year

Robert Feinblum, deputy president of the FMF and chief executive of Conshu, says rationalisation in which Conshu absorbed SA Breweries' footwear division resulted in two factories closing

He says that although sales were well up in January and February, they came off a low base He expects sales this year to rise between 5% and 10% Higher interest rates are also a problem as manufacturers are wary of becoming overtraded on borrowed money

The rise in production costs last year was kept to 10,3% compared with the overall industrial figure of 13,9% These achievements were not honoured by the retail sector where prices rose by 15,9% compared with the overall average of 12,8%

Mr Feinblum says that because of the rand's decline, the cost of imported raw materials will rise Wage negotiations are taking place and machinery costs and high interest rates could add to the input bill

Mr Linde warns that the future of the footwear manufacturing industry depends on the Government's accelerating its reform programme to take the heat off SA in terms of sanctions and disinvestment

# Newly-listed Specialty is expecting a good year

B Day 31/7/89 (187)

SYLVIA DU PLESSIS

SHAREHOLDERS of recently-listed retail group Specialty can look forward to earnings a share of 63c and a forecast dividend of 24c, says chairman Nic Labuschagne

Addressing the group's annual general meeting in Durban on Friday, he said all the group's operations — Milady's, the Hub and Footgear — were trading well, while Mr Price was in a "growth phase"

"Current trading has been good, and sales for the first quarter ending May were 32% higher than the previous year"

"While the group has anticipated a softening in retail trading, sales continue to be well ahead of budget"

He added that Specialty did not trade extensively with upper income customers, who had been most severely hit by rising interest rates

"On the contrary, we believe our group is benefiting from the structural shift of wealth that is taking place in our nation"

He said the free enterprise system was emerging as a "powerful unifying force" in SA, and the group's changing customer profiles were signalling these changes

# Lenco bid to gain assets for Budget Footwear

LIZ ROUSE

LENCO has plans to acquire assets to inject into Budget Footwear, the cash shell with R31,5m in the kitty, says chairman Douglas de Jager in his annual review B/Day 5/7/89

Plans are at an advanced stage to effect an acquisition which the Lenco board believes will have a significant growth potential. Lenco has an 85% interest in Budget.

The group is well placed to enjoy further real growth in the current year, says De Jager (187)

In addition to exceptionally strong orders for its existing range of mens' formal and semi-formal wear, The House of Monatic is pursuing further opportunities. These include exports for which a spare jacket production line has been recommissioned.

The resulting 30% additional capacity is now virtually fully utilised for export and local orders.

After the termination of the licence agreement on Carducci womens' wear, a design team was established by Monatic to launch a range for winter 1990.

Elvinco Plastics' prospects remain extremely favourable A satellite plant is being planned with equipment to be supplied by the newly-formed machine building enterprise The machines are manufactured almost entirely from SA components and cost considerably less than imported or reconditioned equipment, says De Jager

Amshoe was created through the merger of Budget Footwear and Jaguar Holdings' footwear division.

# Application to liquidate shoe giant

3/11/89 7/7/89

CHARLOTTE MATHEWS 187

AN urgent application for the liquidation of Edworks will be heard in the Rand Supreme Court on Tuesday Edworks, a household name in shoe retailing, will defend the application

According to various creditor sources, the company's liabilities total about R50m Trust Bank is owed R5,7m

Edworks, established in 1914, has more than 300 stores round the country and the group includes Dodo's Shoe Company and Boutiques, Marcello Shoes and Pick a Pair The company has factories in Port Elizabeth and Botswana

The company is 100% owned by the Dodo family Total assets are not stated

Between April and May about 800 members of the Commercial, Catering and Allied Workers Union (Ccawusa) went on a six-week strike At the time Edworks MD Stewart Dodo said the losses resulting from the strike were substantial

Jaguar MD Roy Eckstein, who is filing the application, said his company was owed between R4m and R5m

## Option

"We have done business with Edworks for 20 years," he said "They are an old family name in the SA shoe retailing market, but without any warning two or three months ago they were unable to pay any more, and we found ourselves not being paid by one of our larger customers."

Bolwear financial manager Alan Fleetwood said his company had not been involved with Edworks for some time and the amount it was owed was "totally insignificant"

One option for Edworks that has been mentioned is selling off the business

"They are a very big business," said Eckstein "They have about 250 stores and a big manufacturing setup which makes more than 10 000 pairs a day We are one of the few groups that could if necessary take over a part of it But our main aim at the moment is to recover our debts"

Dodo confirmed yesterday that a summons had been issued against the company, but added "As at 4 30pm today we are not in liquidation" He said it would be inappropriate for the company to comment at this stage

# FNB in bid to rescue Edworks

Star 8/7/89

187

GRAHAMSTOWN — Edworks, in the red to the tune of R50 million, was placed under a provisional winding-up order in the Grahamstown Supreme Court yesterday

The action will allow the provisional liquidator to try to salvage the Port Elizabeth shoe company's operations for the benefit of creditors

Yesterday, First National Bank, the major creditor, said it was attempting to put together a rescue plan

Senior general manager Jimmy MacKenzie said in Johannesburg "We are acting in the interests of suppliers and all parties involved with Edworks

"The bank is attempting to find a way to keep the company operating, thereby ensuring its future.

"Proof of the bank's support is that the Edworks group's payroll was authorised for payment this morning"

Edworks, owned by the Dodo family, operates three shoe factories, a wholesale division and two retail divisions with 150 outlets in South Africa and Botswana.— Sapa

# Union wrecks No 3 shoe firm

S/Times 9/7/89

187

Business Times Reporter

**EDWORKS, South Africa's third-largest shoemaker, has gone into provisional liquidation — the first large company to be broken by a strike.**

Creditors said a strike lasting from April to late June was the last straw that broke the back of the heavily indebted 85-year-old company The strike involved a claim which would have added about R20 a month to the pay packet of each worker

## Devastating

Members of the Commercial Catering and Allied Workers Union (Ccawusa) demanded an increase of R125 a month, but Edworks would offer them no more than R105

The strike involved 800 employees in 80 stores and was devastating for both parties

Strikers staged a hunger strike in a shop in Eloff Street, Johannesburg Nine strikers were protesting against "starvation wages" and one was taken to hospital The company obtained a Rand Supreme Court order to evict strikers from its premises

The strike was settled on the company's terms in June Even though they were defeated, union members staged a march with banners down Eloff Street after the matter was resolved Their action chased away millions of rands of business from the country-wide chain

Now, unless someone is prepared to take over the company's factories and its 250 branches, staff may have to start looking for other jobs

Squabbling among three brothers — Stuart, Neville and Ralph Dodo — who inherited the company from their father was reportedly another factor in the company's slow demise Mr Stuart Dodo said he could not comment

Edworks has underperformed its rivals for years Papers before the Supreme Court in Grahamstown claimed Edworks owed R57-million — R26-million to banks and R31-million to trade creditors Its assets are not known to creditors

First National is the lead creditor with a claim of R12-million Standard is owed R5-million, Trust Bank R6,2-million and French Bank, Corbank and UAL R1-million each

Edworks has three factories in Port Elizabeth and three chains with 250 outlets

## Jaguar

First National Bank senior general manager Jimmy Mackenzie said his bank was trying to save the company The bank would pay workers until Friday The company's fate would be decided this week

The banks said in their affidavit in Grahamstown they would consider providing finance to permit Edworks from being sold as a going concern.

There was also a prospect that Edworks could be saved by an offer of compromise

Branches of Edworks operated as usual after the court order Sales personnel said they had no idea what was going on

Jaguar Shoes executive chairman Roy Eckstein said his company and its holding company Amshoe were owed R4,5-million They also had large orders from Edworks

He said first prize for Jaguar and Amshoe would be getting their money back Jaguar would consider making a bid for the remnants of Edworks manufacturing activities — if that would facilitate getting its money back Jaguar would be reluctant to pick up debt He said the doubtful debt would not affect Amshoe's earnings significantly whatever happened

## Pickings

Mr Eckstein lamented the failure of Edworks His father ran Edworks' factory in Maritzburg before starting Jaguar, which prospered from day one and is now second in shoes after SA Breweries' Conshu

In its affidavit, Jaguar said that little of the debt was secured It had called a meeting of banks and creditors and had proposed that a joint committee be formed to confront the company The banks had insisted on seeing the company alone The banks submitted a separate urgent affidavit ahead of Jaguar's submission to the Rand Supreme Court

Observers say the best hope for the staff of more than 3 000 is that the manufacturing and retail arms

● To Page 2

● From Page 1

**Edworks**

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will be sold as going concerns

The Port Elizabeth factories produce an estimated 11 000 to 12 000 pairs of shoes and slippers a day

The 400 retail outlets are in practically every town and dorp

The main Edworks chain sells budget-bracket men's, women's and children's shoes The Marcello and Dodo chains sell more up-market shoes and the Pick-a-Pair shops retail low-cost footwear by self-service.

Potential buyers are showing interest in the retail arm If the group goes into liquidation, bidders are expected to come from shoe retailers and from the growing number of speciality retailers

Market sources say one of the leading contenders for the retail chain is likely to be fast-growing Focus Holdings, which has nearly 80 shops in niche markets, including men's and women's clothing and bedding

# Attempt to save Edworks is launched

187

Star 10/7/84

Finance Staff

Negotiations have begun between First National Bank and creditors of Edworks to save the company from liquidation

Edworks was placed under provisional liquidation in the Grahamstown Supreme Court on Friday, but Mr Justice van Rensburg ordered interested parties to show cause by August 17 why the company should not be liquidated

Edworks owes creditors over R50 million, but two of the four liquidators indicated over the weekend that a number of prospective buyers were investigating an acquisition of Edworks, which would save the company.

First National Bank's senior general manager, Mr Jimmy McKenzie, also confirmed his bank's assistance to Edworks. "We will find a way to keep Edworks operating," he said

Edworks is South Africa's third largest shoe manufacturer and retail chain, but a three-month strike by members of Commercial Catering and Allied Workers Union (Ccawusa), involving 800 employees at 80 stores, caused disastrous financial losses at the group.

Ccawusa demanded an increase of R125 a month, but Edworks was only willing to offer R105, and while the dispute ended with the strike being settled on management's terms, the lengthy stoppage and a subsequent boycott action caused millions of rands of losses.

Creditors also indicated in weekend newspaper reports that management differences between the three brothers running Edworks, Stuart, Neville and Ralph Dodo also contributed to the demise of the group.

## Talks under way in bid to save crippled Edworks

BDay 10/7/89 EDWARD WEST (187)

NEGOTIATIONS started this weekend to consider several options to save the Edworks group, which was crippled by strike action

The group, which owes creditors more than R50m, was placed under provisional liquidation in the Grahamstown Supreme Court on Friday

First National Bank (FNB) senior GM

☐ To Page 2

## Edworks

BDay 10/7/89 (187)

☐ From Page 1

Jimmy McKenzie said yesterday that the matter was under control, and FNB was assisting Edworks with negotiations to save the company

He could not, however, divulge the nature of the options An announcement concerning the options would be made later this week, he said

Strikes from April to late June involved 800 employees in 80 stores Creditors said in weekend newspaper reports that strike action and reported management differences between the three brothers, Stuart, Neville and Ralph Dodo, were the last straws that broke the the company

McKenzie said the bank would find a way to keep the company operating FNB denied aspects of newspaper reports published on Friday, which incorrectly attributed statements to the bank's GM, central advances, Neil Garden The statements were made in court papers by Jaguar Shoes, one of Edwork's creditors

"From the article it seems as if FNB started the action, but we did not pull the carpet," McKenzie said

Mr Justice van Rensburg ordered the provisional winding-up of Edworks under the Master of the Supreme Court

# Jaguar delays application

187

CHARLOTTE MATHEWS

JAGUAR, a major creditor in the Edworks provisional liquidation, has postponed its own application in the Rand Supreme Court, set down for today, until August 22, pending the outcome of the application brought in the Grahamstown Supreme Court, according to attorneys representing Jaguar

"We have no guarantees that the order might not be withdrawn," an attorney said "But if the first application is confirmed on August 17 it has the same effect"

Jaguar CE Roy Eckstein said his company was the third largest creditor in the case, after the banks, and the highest trade creditor He expected "a reasonable payout"

B|Day 11|7|87

## Offer

He said several parties had shown an interest in buying the company

"At this point it seems there might be an offer for the whole business

"It is in our interests that whoever takes over the group pays a reasonable amount and ensures continuity of supply We have a lot of orders which we think will be taken over by whoever buys the company"

Potential buyers of Edworks, Focus and Boltons refused to comment because they felt it premature at this stage

☐ Sapa reports that First National Bank (FNB), Edworks' major creditor for the sum of R12m, has been providing finance to enable Edworks to be sold as a going concern and has paid wages up to last Friday

FNB senior general manager Jimmy McKenzie said no decision had yet been taken whether to continue paying wages

☐ ALAN FINE reports Ccawusa general secretary Vivian Mtwa yesterday defended his union against charges reportedly made by Edworks creditors that the lengthy wage strike which ended last month was largely to blame for the shoe chain having been placed under provisional liquidation.

"It is mad to say we are responsible", said Mtwa He argued that, had management made a serious effort to compromise on the union wage demand, instead of taking a hard line, the strike could have been avoided altogether

He estimated that fully meeting the demand would have cost an additional R720 000 for the financial year, compared to claims that the strike had cost the company R6m.

Star 12/7/89

187

# Edworks: liquidation bid delayed

Staff Reporter

The urgent application, launched by Jaguar Shoes (Pty), for the liquidation of Edworks (1936) (Pty) has been postponed until August 22

The order was granted in the Rand Supreme Court yesterday by Mr Justice M S Stegmann

An urgent application was part heard in the Cape division

Edworks trades from 157 Market Street, Johannesburg, which is why an application was brought before the Witwatersrand Local Division.

Jaguar Shoes' financial director, Mr J P Ward, said in papers that Edworks' retail division owes the Maritzburg based manufacturer R1,9 million and the Edworks' wholesale division, R E Pashley, owes R15 176.

## STOCK EXCHANGE

Mr Ward said the outstanding amounts related to shoes delivered to the retail division between November last year and June this year and for footwear delivered to R E Pashley between March and May this year.

Jaguar is a division of Amalgamated Shoes Ltd (listed on the Johannesburg Stock Exchange as Amshoe) Amshoe's chief executive, Mr R E Eckstein, and Mr Ward met Mr Stuart Dodo and Mr Neville Dodo to try and resolve the non-payment problem but were not successful.

Mr Ward said the Dodo brothers said Edworks had a cash flow problem and asked if Amshoe wanted to acquire equity in the group of companies The financial details which were requested have not been completely supplied

Some of the reasons for Edworks difficulties were allegedly the poor running of the retail division, the substantial losses of the manufacturing division and a large strike by the retail division's employees

At another meeting between the parties, a Mr Robert Schwartz said Amshoe should be satisfied that he had become associated with Edworks, but he refused to disclose any details, and said Amshoe should keep on supplying Edworks with shoes

After this and a subsequent meeting on June 13, Jaguar Shoes consulted its attorneys who set up meetings with banks and other Edworks creditors After a series of meetings, Jaguar Shoes launched the application for liquidation

ARGUS 12/7/89.

# Strike put shoe firm on road to liquidation

**The Argus Correspondent**

DURBAN — The Edworks strike from late April until June cost the company about R3-million in turnover, according to company secretary Mr Donald Hedge

This contributed "significantly" to cash-flow problems leading to an action in a Grahamstown court last week when the long-established shoe manufacturer and retailer was placed in provisional liquidation

But the company had financial problems before the strikes The last set of accounts for the year to June 30 last year reflected an operating loss of R2,5-million on a turnover of R112-million In the previous year the company had shown a profit of R2,7-million Gross assets were shown as R56-million

Mr Hedge said sales had fallen off during the strike He cited intimidation of shoppers by the strikers, graffiti on shop walls and "distorted statements about starvation wages"

This tipped the scales against the company's ability to meet its commitments and when accounts were frozen last Friday an "embarrassing" situation arose where no bills could be paid, including the Port Elizabeth offices' telephone account

Four provisional liquidators have been appointed Westrust, Syfrets, Arthur Young and Eastern Cape Trustees bankers would be less likely to allow a favourable rescheduling of South Africa's international debts if they knew

will go to the Co with a position w fying sanctions

# Applications granted against retail divisons of Edworks

GRAHAMSTOWN — Two retail divisions of footwear company Edworks — Dodo's and Marcello Shoes — were today also placed under provisional winding-up in the Grahamstown Supreme Court. (187)

The application was brought by the joint provisional liquidators of Edworks, which was placed under a similar order on Friday.

The applications against Dodo's and Marcello Shoes were granted separately by Mr Justice van Rensburg. Star 13/7/87

Granting the provisional winding-up order, Mr Justice van Rensburg ordered that the claims of Edworks against Dodo's and Marcello Shoes be immediately vested in the provisional liquidators.

He further called on all interested parties to show cause by August 17, why final winding-up orders should not be granted. — Sapa.

B/Day 17/7/89 (187)

# Shoe retailers feeling the pinch

CHARLOTTE MATHEWS

GLOOMY predictions by shoe manufacturers that imports are likely to increase this year could be another attempt by inefficient local factories to obtain more protection, say footwear retailers

They point out that the predictions, reported in Business Times, precede a government report later this year on structural adjustment for the industry Footwear manufacturers were quoted in the report as saying that, although they expected sales to rise 10% this year, they would be squeezed by reduced margins, higher costs and increased imports

Various shoe retailers say increased imports of shoes are highly unlikely this year in the face of heavy import duties and the weak rand Footwear Manufacturers' Federation (FMF) executive director Dennis Linde predicted "a substantial increase in imported footwear"

"That's ridiculous," says Treets Clothing MD Jack Katz "Imports are bound to drop drastically because of the exchange rate and the surcharges, but local manufacturers simply can't cope with local demand

"Orders I placed with a local manufacturer in October last year are being delivered now It is the small, independent shoe retailer who is the worst affected by this situation"

Edgar Seaman, director of Cape-based importer and wholesaler Republic Shoes, says the effect of import duties is both severely inflationary and fails to stimulate competition "The percentage increase in prices of locally manufactured shoes since the introduction of the new duties has been totally ridiculous Imports fell by 46% last year with the rand at 50c to the US dollar They will hardly rise now that the rand is at 35c."

A spokesman for footwear retailers says the interim duties of 1987 forced importers into a very limited range of footwear and prices had jumped 30% to 50% as a result

Footwear International MD Stan Rabinowitz says "A substantial decrease in imports will result from the tariffs imposed 18 months ago, plus the surcharges in the middle of last year and the devaluation of the rand"

Linde responds that figures published by Customs and Excise already show a significant increase in rand terms in imports for the first four to five months of the year, but this could be related to the depreciation of the rand Volume figures are not available, he says

# Edworks creditors keep business going

**CHARLOTTE MATHEWS**

EDWORKS' creditors were financing its continued operation to ensure the highest price was obtained for the business as a going concern, the company's liquidators said last night (832)

"If we closed all shops we would wipe out huge goodwill and the ability to sell the assets ~~at a~~ reasonable price," they said (187)

Several buyers have shown interest in the company B/Day 20/7/89

FSI Corporate Services has secured the shares from the Dodo family, attorney Michael Krawitz and jeweller Robert Schwartz, but possible buyers for the assets include Conshu, Amrel and Beares

"Although Edworks is commercially insolvent because it has a major cash problem, it still has balance sheet solvency," the liquidators explained teens.

Freshmark rents its premises, but it has taken over about 100 trucks, most of

fast, efficient distribution should increase this trend and open up new opportunities for us."

# FSI in Edworks bid

JEFF Liebesman's FSI Group has made an entrepreneurial swoop on the shares of Edworks, which is in provisional liquidation.

187 S/Times 23/7/89

It has agreed to buy the shares of the Dodo brothers even though they do not appear to have much value.

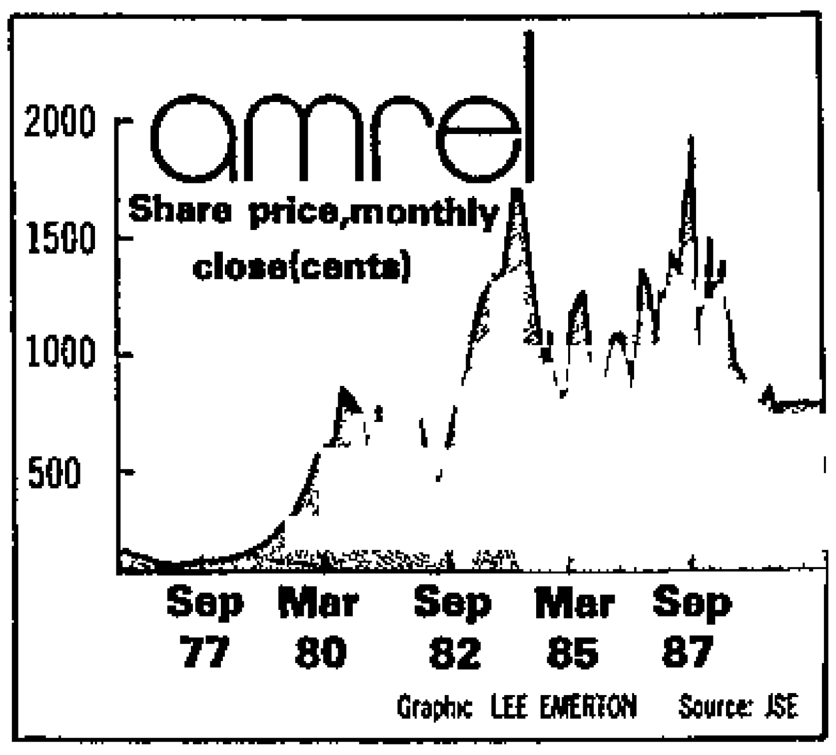
As a shareholder, FSI would have considerable say in the fate of Edworks. Shareholders, as well as creditors, vote on schemes of arrangement.

FSI director Terry Rolfe says FSI would be interested in Edworks manufacturing and retailing interests "at the right price".

Analysts say FSI's approach to the Dodos must be conditional because if offers of compromise from other parties, such as SAB, Amshoe, Jaguar or Focus were to succeed, the shares would be virtually worthless.

B/Day 25/7/89 (187)

# Amrel streamlines operations




**ANALYSIS: STEPHEN RICHTER**

AMALGAMATED Retail (Amrel) is totally out of favour among investors. But management appears to have streamlined operations, which should allow the group to avoid similar problems to those experienced during financial 1986.

Amrel's operations are divided into three main divisions: furniture retailing, footwear and apparel retailing, and services. Investors are obviously unsettled by the fact that Amrel earns more from its furniture activities than all the others combined.

This emphasis on furniture sales seems to be the primary factor behind the earnings plunge in financial 1986, when the bottom line was flowing with red ink. At that time, interest rates had risen to extremely high levels, which hurt consumer durable sales.

Consequently, it seems investors are now worried that Amrel's profitability is in danger of collapsing once more, given the high interest-rate levels. The share price is currently trading near its yearly lows, which is in sharp contrast to the bullish tone existing on the industrial board.

But the present price level would seem to present a possible buying opportunity to patient investors looking for undervalued stocks. The share price is now sitting at similar levels to 1985, but Amrel never slipped below 800c, even after financial 1986 figures were released.

Management indicates Amrel will produce earnings significantly better than during the financial 1986 debacle, and this factor alone should create some buying interest in the share. It is difficult to determine how well the group is coping with the tough economic conditions until the release of interim results covering the six months ended September.

MD Stan Berger says since the group's poor performance three years ago, management has been streamlining operations, which has made Amrel a more efficient organisation.

Consequently, Berger is highly confident Amrel is adequately poised to cope with the current unfavourable environment.

He makes specific reference to the balance sheet, which shows that for the past two years interest-bearing debt has been reduced. This contrasts with the financial 1983 to 1987 period when interest-bearing debt continued to rise.

Berger also says various activities within the group's shoe and apparel division were showing losses during financial 1986. So, in order to place the furniture, shoe and apparel divisions on the right path, management looked for ways to make these operations more efficient.

They began to clear out old stocks, consolidated management efforts where appropriate and reduced overheads. In addition, not only did more popular product lines begin to make their appearance in the stores, but the stores themselves were modernised and in some cases relocated to satisfy customers. This has eliminated the need for costly acquisitions when management can successfully capitalise on various organic growth opportunities.

But with the balance sheet in better shape, Amrel would consider looking at an attractive acquisition prospect if one did present itself. Berger says an offer will be made this week for Edworks and Pick A Pair. If Amrel's bid is accepted, Berger feels both operations will fit in well with Amrel's existing businesses and their names would remain unchanged.

Berger would not venture a guess on financial 1990 earnings since the December holidays alone account for nearly one-third of Amrel's earnings. But it would seem that with its impressive range of specialist retailers, and the stronger balance sheet, earnings could range between 150c and 200c, taking into account the tougher conditions.

This would suggest Amrel's share price is near a bottom, especially considering that it is changing hands at a substantial discount to net asset value, which was 1 336c according to the latest annual report.

# Edworks is saved as FSI bids high

S/Times 6/8/89 (187)

By David Carte

**MOST of Edworks 3 000 employees will keep their jobs after the bid for the insolvent shoe company by FSI Corporation's Homemakers this week**

In a Sotheby's style auction Homemakers bid R39,6-million cash for the assets of Edworks

Concurrent creditors of the insolvent company are likely to receive 55c to 60c in the rand, says liquidator Neil Bowman of Westrust

Homemakers won a three-cornered play off in which bids rose in R500 000 jumps from R31-million to R39,6-million cash

"It was nail-biting stuff," says a triumphant FSI Corp chairman and founder Jeff Liebesman "It would have made a great movie"

## Casino

"At one stage we seemed to playing with Monopoly money in a casino, says Mike Spain, bidding unsuccessfully for Colfin on behalf of Amshoe and Jaguar Finansbank was bidding on behalf of SA Breweries subsidiary Conshu

FS Group's first bid was the lowest at R31 million, but it was more than ready to raise it

Mr Bowman says the last three bids were R39 million, R39,5 million — and FS Group's winning R39,6-million

That amount bought the company's assets, net of liabilities up to liquidation date In addition, FS Group paid an undisclosed amount to the Dodo family and others for all of their shares in the company

The Dodo family, which has controlled Edworks for more than 75 years, is believed to have received peanuts.

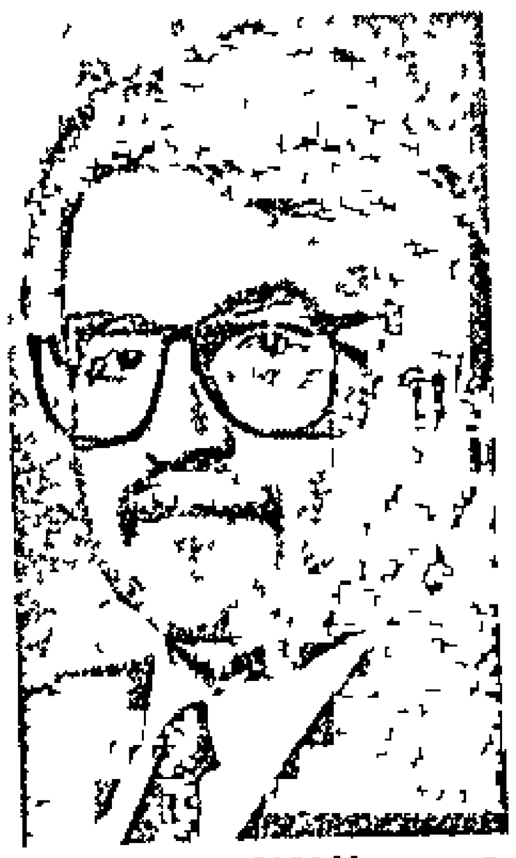
Edworks has liabilities of R70 million Liquidators' fees have to be paid and preferred creditors will be paid in full hence payment of only 55c to 60c in the rand to creditors

## Exultant

First National Bank with an exposure of R10 million, will lose about R4-million before and R2 million after tax Trust and Standard banks will also take significant losses

Amshoe and listed subsidiary Jaguar are exposed to R4,5-million, but will write off about R1 million after tax — not a problem, says Jaguar managing director Roy Eckstein

Mr Liebesman is exultant at what he terms a great victory for FSI In only a year,



JEFF LIEBESMAN a nail biting battle

he wants Homemakers to get a 10% return on Edworks sales of R170 million — R17-million before and after tax

If he achieves his aim, the acquisition will pay for itself in under three years The effect on the bottom line of Homemakers will be dramatic Another effect of the deal will be to reduce Homemakers' dependence on the cyclical furniture industry

## Leadership

Mr Liebesman says "I am not trying to minimise the company's problems, but new leadership and structure will provide the motivation to make Edworks successful

'The deal is a tribute to the entire team here I left nearly everything to group operations director Ivan Posniak and Alan Chonowitz managing director of FSI Corporate Services

"They moved into Edworks for a month Having done their homework, they were better placed than the others to bid"

Mr Liebesman will not disclose how high FSI might have gone He says Edworks meets all FSI's investment criteria It is a basic business exposed to the growing black market

Non fashion shoes are a stable basic consumer item Edworks has significant market share The factories are exporters

This is FSI Corp's third acquisition in the past year Before this, it bought V&R Engine Spares for R35-million, 27% of Milstan for R8 5 million and Femo for R30-million

## Cordial

Employees of Edworks should be relieved that the successful bidder is new to shoe manufacture and retailing If a competitor had bought the company, there was a good chance that factories, as well as outlets, would have been closed Homemakers will keep the factories

The liquidators have closed 21 Edworks outlets and a few more could be shut before FSI takes over — but most jobs are safe, says Mr Liebesman A priority will be to establish more cordial labour relations

Edworks started running downhill four years ago, but a devastating strike was the last straw for the company It was resolved days before Edworks went into liquidation

Members of the Commercial Catering and Allied Workers Union of SA (CCAWUSA) agreed to keep working until liquidation and/or sale of the company had been completed

## Busy

This is FS Group's first step into shoes A group strategy has long been to rationalise industries Many analysts expect rapprochement among Edworks, Jaguar and Conshu

Mr Liebesman says "We'll consider all options"

Both Roy Eckstein of Jaguar and Robert Feinblum of Conshu expressed interest in talking to Edworks The big three shoe makers and retailers all deal with one another already

FSI Corp is experienced in labour relations It has had strikes at Gentyre and in Homemakers subsidiary Joshua Doore after the retrenchment of 500 Its policy is to pay well — but to make sure that all hands are busy

FSI Corp, established only eight years ago, has emerged as one of the seven big groups in SA It has 17 listed subsidiaries and seeks sales of R3-billion and group-wide pretax profits of R300-million in the current year

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## CARTE BLANCHE

By David Carte, BUSINESS TIMES Editor

# Martians, MBOs and LBOs . . .

**The Frankel Kruger Vinderine conference in Johannesburg this week on management and leveraged buyouts was another reminder of how SA has been ostracised.**

**On Wall and Throgmorton streets, MBOs and LBOs have been the most remarkable phenomenon of the late 1980s Here, they are still rare**

The five heavyweight American investment bankers who came to tell the audience about buyouts were like men from Mars

They came under cloaks Some of their names could be mentioned, but not their banks, which subscribe to the financial sanctions package represented by the debt standstill arrangements

The men from Mars talked a strange language, with words such as mezzanine debt, cram down paper, plain vanilla high-yield bonds, pay-in-kind securities and indexed securities

They do not look at financial statements the way we isolated old worlders do They talk about free cash flow not earnings, and levels of debt undreamed of in SA

An LBO is an acquisition achieved by any predator through borrowing An MBO is effected by management, with or without debt

In the US and the UK, entrepreneurial managers have been able to borrow vast sums of money in all sorts of imaginative ways to buy the companies they run, often at fat premiums to market prices

The process has not stopped short at managers Predators in general have been able to borrow the billions they need to buy willing and unwilling victims Normal strategy is to sell off underperforming assets and to work the rest hard to bring down debt

The biggest LBO was effected last year by three investment banks — KKR, Drexel and Merrill Lynch They succeeded in beating a bid for RJR Nabisco by its chief exec[illegible]e Ross Johnson and team The price of $30,65 billion was more than half of SA's gross domestic product A good-looking blonde from California — hardly into her 30s — who took part in the battle described its ins and outs

The result of the buyout revolution has been stronger motivation inside and outside affected companies Inside, the owner managers have driven their assets and their people harder to generate the cash flow needed to justify buyouts

Unaffected companies have had to work more profitably to keep their share prices high enough to be out of reach of predators

There have been more than 30 MBOs in this country Some, such as the creation of ISM from the IBM disinvestment, have been huge

There will be more disinvestment The nomenon is unlikely to sweep corporate SA as clean as it should — because of exchange control and the lack of clarity on capital gains tax

By trapping the investment funds of mining houses and institutions in SA, exchange control has led to corporate agglomeration and seven groups controlling outright virtually every company of size

The Big Seven — Anglo American, Old Mutual, Sanlam, Rembrandt, Liberty Life, Anglovaal and FSI — have such an acute reinvestment problem that they are unlikely to sell to managers, even at premiums

High rates of inflation and thus high nominal rates of interest are another obstacle to buyouts Mezzanine debt used to finance them carry rates of interest that are about 30% higher than those on secured debt Buyers would be looking at rates of 25% plus

Thanks to strong economic growth buyouts in the US and the UK have flourished in spite of high real interest rates They still have to stand the test of a severe recession Our stop-start economy is another complication

Still, interest in buyouts is intense More than 200 people paid R1 000 each to attend the Frankel Kruger conference

It was probably the most expensive conference ever held in SA but those who attended received their money's worth The five American and three SA speakers must have said virtually the last word on the subject In fact, the typed transcript of the conference will be a valuable text book

The investment bankers were like evangelists on the subject That is understandable They have made tens of millions of dollars on buyouts

But balance was brought to bear by Jeffrey Cole, chief executive of Cole & Co, a $1,4-billion a year retailing group, which has been through two buyouts His view is that the banks take too much

The way the bankers tell it, everyone wins The managers or buyers get control of

# Conshu looks to rubber for a bit extra

S Times 20/8/89.

187

By David Carte

NOW that it is so dominant in shoes that it has to grow in line with that market, Conshu is looking to subsidiary Wayne Rubber for an extra spurt, says managing director Robert Feinblum

Wayne, which recently acquired Phoenix Rubber, is a promising growth area It takes Conshu into rubber, PVC and canvas conversion, injection moulding and rubber sheeting

Shareholders have had little to complain about so far A company that assumed its present form only in 1984 has reported sales up by 28% to R420,3-million, pre-tax profit 25% to R44,7-million and bottom-line earnings ahead by 30% to 56,8c (1988 43,8c)

## Favourable

The record, admittedly the result partially of acquisitions made on favourable terms, is so startling that Sankorp and SA Breweries, equal shareholders with 35% to 40%, must be eyeing each other uneasily

Both came on board at low cost and must be gratified at today's market capitalisation of R171-million

Conshu intends to continue making acquisitions, where necessary with paper, so the tightly held shares should become more tradeable over time

Mr Feinblum estimates that Conshu's share of the shoe market is 35% to 40% It makes everything from the tackie to miners' boots to the most expensive Christian Dior and Crockett & Jones shoes

With Amshoe-Jaguar, Bata and Edworks as well as numerous small operators still around, the business remains competitive

## Computers

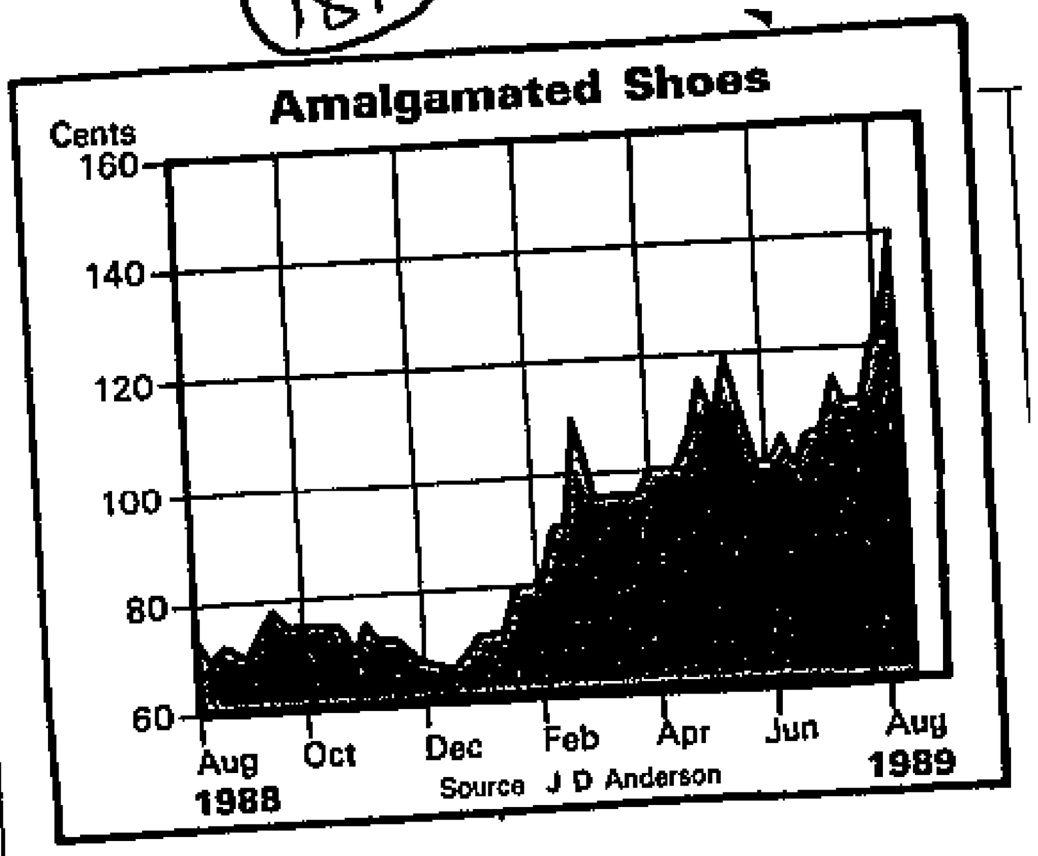
Mr Feinblum says Conshu's size enables the use of sophisticated computer-aided design technology.

The challenge of the times is to establish harmonious labour relations The company deals with militant trade unions and it has suffered periodic strikes Mr Feinblum has a few words of comfort in the troubled labour scene The 11 000-man labour force has increased its share of value added from 61% to 65%

A problem is the steeply rising cost of materials, many of which are imported Leather prices have rocketed, partly because of its popularity for use in car seats

At 410c, the share is 7,2 times earnings and yields 5,5% — further evidence that many shares on an allegedly high JSE are far from overpriced

(187)




AMSHOE (187) Finance 1/9/89

# Larger size

**Activities:** *Manufactures and distributes footwear and related components, EVA products and distributes sports clothing*

**Control:** *Ultimate control lies with Lenco Holdings*

**Chairman:** *R S Eckstein, managing director' R Geyser*

**Capital structure:** *57,5m ords of 1c Market capitalisation R74,8m*

**Share market:** *Price 130c Yields 4,6% on dividend, 18,4% on earnings, PE ratio, 5,4, cover, 4 12-month high, 140c; low, 60c Trading volume last quarter, 1,2m shares*

**Financial·** *Year to February 28*

| | '88 | •'89 |
|---|---|---|
| **Debt.** | | |
| Short-term (Rm) | 4,3 | 5,2 |
| Long-term (Rm) | 0,6 | 8,6 |
| Debt equity ratio | 0,31 | 0,64 |
| Shareholders' interest | 0,63 | 0,35 |
| Int & leasing cover | 9,3 | 16,7 |
| Debt cover | 1,29 | 1,34 |
| **Performance.** | **'88** | **•'89** |
| Return on capital (%) | 27,4 | 31,9† |
| Turnover (Rm) | 56,2 | 157,3 |
| Pre-int profit (Rm) | 6,9 | 22,0 |
| Pre-int margin (%) | 12,2 | 14,0 |
| Taxed profit (Rm) | 5,8 | 15,5 |
| Earnings (c) | 15,5 | 23,9 |
| Dividends (c) | 4 | 6+ |
| Net worth (c) | 37,6 | 37,2 |

• 14-month period
† Annualised

**In a 14-month** trading period to end-February — to bring Amshoe's financial year into line with that of Budget Footwear, with which Amshoe was merged last year — turnover rocketed by 180% to R157,3m. Annualised EPS rose by 54% to 23,9c and the dividend was increased by 50% to 6c

Amshoe, formerly Jaguar, has three divisions which surpassed expectations and forecasts, says CE Roy Eckstein The merger increased the market share of the footwear division and rationalisation benefits in the short-term should continue to improve the division's profit growth. Since year-end, turnover has increased by more than 30% on the same period last year, he says

An expansion programme was planned to take advantage of increased demand Manufacturing plant was expanded in all shoe factories and in the components division

As a result of the turnover growth, working capital was increased by R18m The group added to the cash flow available from operations by issuing shares worth a total R10m. Borrowings were increased to R13,8m (R4,9m)

Gearing thus rose to 0,64 (0,31) and the interest bill climbed to R1,3m (R739 000) Eckstein is unconcerned about the rise in gearing and contends that the group is on a sound footing and plans further expansion this year New products will be developed in the Puma range of shoes.

Talk in the market is that Eckstein is to sell his Amshoe shares to holding company Lenco However, Eckstein denies this, he plans to remain in the shoe industry

At 130c, the share is close to its 12-month high and stands on a p e of 5,4

*Jacques Magliolo*

# Meritex share earnings slashed

187

Cape Times 14/9/89

Financial Editor

DELAYS in the arrival of new machinery were the main reasons for disappointing results turned in by footwear and textile manufacturer Meritex for the six months to July 31, chairman and MD E Gordon explains

Although turnover rose by 23%, following a 22,2% rise in the year to January 31, after-tax income fell sharply to R214 000 compared with R2m in the first half of last year Earnings at share level were 1c (12c)

But Gordon says the situation had already begun to improve in the last quarter

Forecasting improved earnings in the current six months, he says the market outlook for the second half of the year "remains buoyant"

Figures released yesterday show that income before tax and interest fell to R1,2m compared with R2,9m in the first half of last year

The interest bill rose sharply to R892 000 (R155 000) leaving pre-tax income of R397 000 (R2,7m).

The tax bill fell to R183 000 (R795 000) but attributable income was R123 000 (R1,8m)

Explaining the drop, Gordon says in the first quarter the group suffered a loss of R881 000 This, he says, was due to five factors

There was a continuing dyehouse bottleneck "which was to have been alleviated by outside commission dyeing, which was not forthcoming in spite of prior arrangements"

Delivery of essential dyeing, printing and cutting machinery from overseas was delayed

There were installation delays with the group computer planning programme

Interest rates were greatly increased on borrowings "which were high as a result of peaking mid-year stock levels and a recently completed major expansion programme"

And additional costs and non-recurring losses were incurred as a result of the relocation of the New Colours factory in March

Gordon continues "Urgent remedial action was undertaken by management and the first quarter loss was converted into a R1,2m second quarter pre-tax profit after meeting the much higher interest charges

"The last of the delayed capital equipment was delivered and commissioned in July 1989, and dyeing and cutting backlogs have now been eliminated

New Colours has been operating profitably since June and the computer planning programme is being more effectively implemented"

B/Day 20/9/89. 187

# Deals will boost Vic Lewis

NEIL YORKE SMITH

VICTORIA Lewis, the furniture manufacturing group, should significantly improve performances following last week's restructuring deals, CE Hymie Hovsha said this week

He said the deals in which Vic Lewis was to aquire Steel and Barnett as well as certain assets of Mewa Manufacturing and Insulated Structures would strengthen Vic Lewis's balance sheet and income statement

"The new assets are largely debt-free and will increase turnover while drastically reducing our gearing ratios," said Hovsha

Victoria Lewis

He added the benefits of economies of scale would be significant as some of the new companies would operate from the premises currently used solely by Vic Lewis

"Our present facilities were designed for expansion and are not operating to full capacity at this stage"

Hovsha said the Steel and Barnett deal would see Vic Lewis enter the bedding market

He said the expansion was expected to yield good profits

He added although the group was likely to undergo a consolodation period while synergies were matched and operations defined, Vic Lewis would continue to look for growth

● HOVSHA

Hovsha said the export market showed particularly strong potential.

Vic Lewis has shown strong turnover growth in recent years In 1989 turnover rose 76% over 1988

However, profits have been marred by high finance costs which, at R2,1m in 1989, saw operating income of R4,3m yield bottom line earnings of R1,1m

Said Hovsha "There is a lot of work to be done but we are determined to boost Vic Lewis's earnings This will be far easier with the strength of the new group and particularly by improved gearing levels"

Star 27/9/89 (187)

# Conshu strengthens its market positioning

By Jabulani Sikhakhane

Rationalisation measures and the strengthening of the group's position in the middle to upper sectors of the footwear market boosted Conshu Holdings perfomance for the year-end June with a 28 percent increase in turnover from R329 million to R420 million.

Earnings per share were 30 percent up at 56,8 cents (43,8 cents) and a final dividend of 22,5 cents was declared, 29 percent up on last year.

According to chairman, AS du Plessis the good results were achieved against the background of continued upward adjustment of prime overdraft rates and increased surchages on imports and the continued weakening of the rand.

During the year under review Conshu separated its foot-wear and non-footwear operations by listing the rubber interests through a reverse take-over of Phoenix Rubber

Wayne Rubber's repositioning to enable it expand further into non-footwear sectors of the economy and the upgrading of Conshu's involvement in men's branded casual footwear were identified as being vital for the groups' ongoing growth and development, says CE Robert Feinblum.

Also the take-over of two strategic footwear manufacturers strengthened the group's position in the middle and upper sectors of the branded footwear market.

Conshu's challenge during the year ahead, says Mr du Plessis is to increase exports. Such an endeavour depends on the sufficient supply of high quality leather which is vital to the success of an export programme.

"It is further hoped that recommendations following investigations by the Board of Trade and Industry will achieve the intended objectives by providing the required incentives in terms of structural adjustment programmes."

"This will enable the industry to develop a strong home base through protection against countries with low labour costs and thereby enable local manufacturers to become more competitive in the export market."

# Amshoe steps out in fashion

S1 Times 15/10/89

(187)

AMALGAMATED Shoe — formerly Jaguar — stepped out with a sharp rise in earnings in the six months to August

Earnings a share climbed by 58% to 17,7c on a rise in turnover of 48% to R105-million. The operating profit margin was up from 12,8% to 16,2%, but there was a R2-million increase in finance costs to R2,1-million.

Higher turnover had to be financed, as did the R20-million acquisition of Budget effective from March last year. New equipment was also brought in, and a fifth factory will be opened near Ladysmith in January.

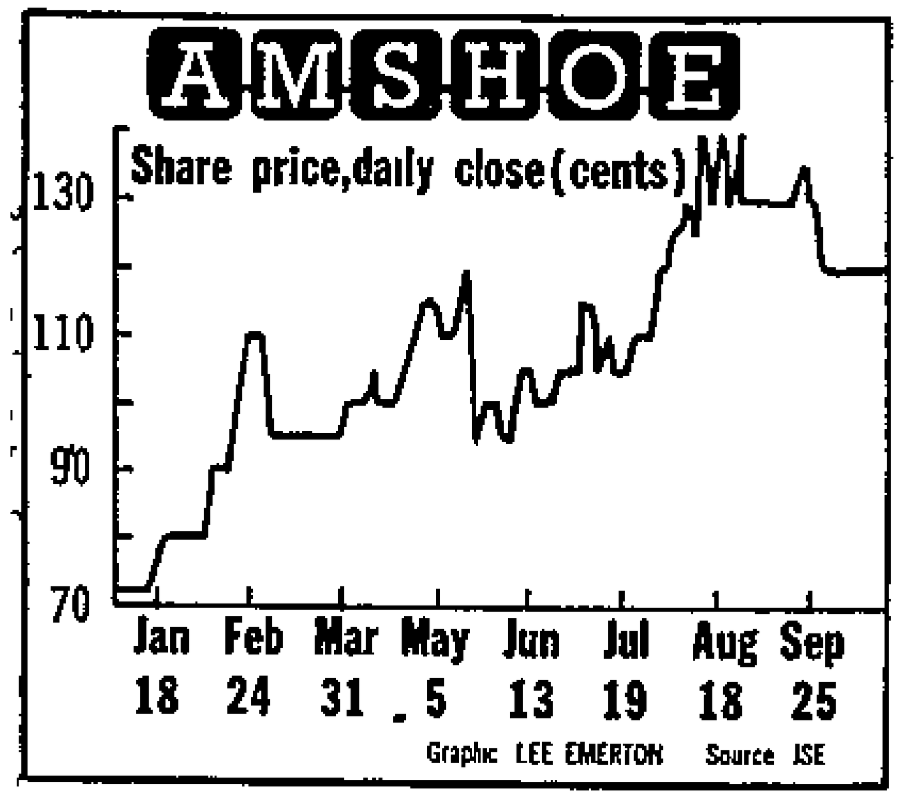
The tax rate rose from 25% to 31% — a level which chief executive, Roy Ekstein says should be a ceiling for the forseeable future.

The shape of the balance sheet changed because R8-million of the purchase price for Budget is treated as along-term loan, the balance as overdraft. Shareholders' funds approach R60-million, up from the comparable R44-million.

B/Day 16/10/89.



187




# Amalgamated Shoes puts best foot forward

SYLVIA DU PLESSIS

AMALGAMATED Shoes has shown some nifty footwork in posting a 58% rise in earnings a share at the interim stage despite higher interest costs and a R2m write-off against the old Edworks group's account

Substantial growth in the six months to August has enabled the footwear manufacturer — formed last year from the merger between Jaguar Holdings and Budget Footwear — to lift sales by 48% to R105m (R71m)

However, operating profit was a far higher 89% up at R17m (R9,1m) on margins which improved dramatically to 16,2% (12,8%)

Taxed profit totalled R10,2m (R6,4m) after finance costs of R2m (R110 000) and a tax bill of R4,7m (R2,6m), and earnings a share of 17,7c (11,2c) have been declared Group policy is to declare a single dividend at the year-end

Financial director John Ward said in a statement at the weekend that the relatively low tax rate, up to 31,5% from 25%, was a result of the group's tax status in areas such as Lesotho and Qwa Qwa and not to assessed losses

In view of this, Amshoe's tax rate would be sustainable at this level in the future

"Further expansion in Lesotho and the establishment of a new manufacturing division in the decentralised area of Ladysmith should ensure continuation of this rate," he said

Commenting on the results, Amshoe CE Roy Eckstein said the group had performed in line with expectations, with substantial increases in profits in all trading divisions

"We anticipate consistent expansion in the period ahead, with continued growth in all existing operations," he said

He was confident figures for the full year would contine to show "a healthy pattern" of growth, as Amshoe was entering the second half of the year with full order books and the expectation of further growth in earnings

# Court restrains workers from factory toyi-toyis

Cape Times 28/11/89

Supreme Court Reporter

BELLVILLE workers engaged in an overtime ban were yesterday interdicted and restrained in the Supreme Court from toyi-toyiing, demonstrating, singing or dancing on the factory premises except in designated areas.

The interim order was granted late yesterday afternoon by Mr Acting Justice B Hoberman in an application by Table Bay Spinners Ltd against the SA Clothing and Textile Workers' Union, five of its shop stewards and 451 workers

The workers were further interdicted and restrained from interfering with the normal operation of the factory or intimidating other workers.

In an affidavit, Mr Edward George Arnott, personnel manager of Table Bay Spinners, said employees did two hours compulsory overtime per day.

Since November 13 the employees on the two shifts had embarked on an overtime ban in support of the union's demands regarding the change of the rules of the Industrial Council Sick Fund, he said.

# Julie Walker's top 10 shares

By Julie Walker

| | |
|---|---|
| MY general equity portfolio for 1990 | |
| Amshoe | 120c |
| Anglo American | 10 800c |
| Ellerine | 1 750c |
| I&J | 2 350c |
| Iscor | 252c |
| Lonrho | 1 800c |
| Murray & Roberts | 2 300c |
| Reichmans | 210c |
| Richemont | 1 775c |
| Siltek | 1 000c |

31/1/90

AMALGAMATED Shoe makes footwear for the middle-lower income groups, and can sell all it produces

There is limited downside on the share price and good prospects after expansion

Anglo American is a share for all seasons

Ellerine should do well because it has no debt and trades at a large discount to net asset value.

Irvine & Johnson is the blue-chip food share

Iscor is popular with institutions, and small selling is likely to dry up Prospects are sound

Lonrho is worth more apart than together It could be a second Cons Gold

I like Murray & Roberts, even though the managing director won't talk to me It has enough interests to carry it through a bad patch

Reichmans is still yielding 12% in dividend in a growing business

Richemont is a rand hedge with growth potential

Siltek is well managed and the leader in high-technology applications

All these are top-quality shares on which the downside is limited if the market turns sour Don't forget unit trusts as the best way to save and prosper for the ordinary man

1827

FOOTWEAR

~~LEATHER PRODUCTS~~

MANUFACTURING. — ~~LEATHER PRODUCTS~~

1990

[illegible] — [illegible]

FM 28/9/90 (187)

CONSHU FM 28/9/90 (187)

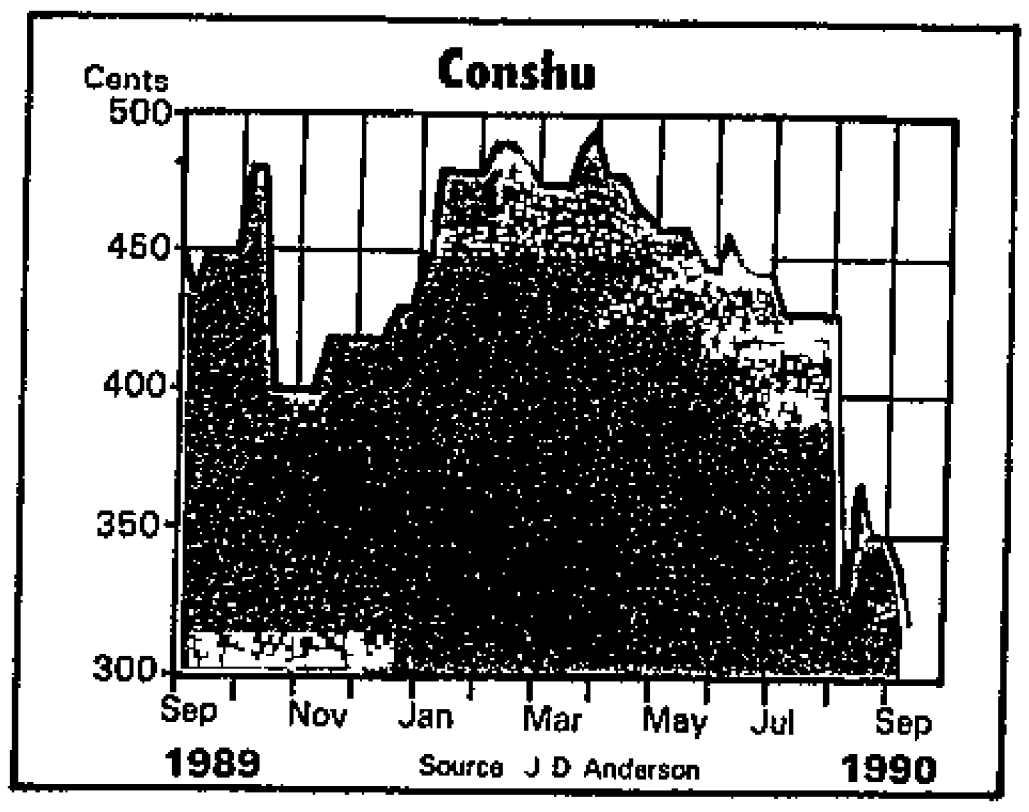
# ALL THOSE SHOES

**Activities:** *Manufactures footwear, rubber and PVC products*
**Control:** *Sanlam and SA Brews hold joint control*
**Chairman:** *A S du Plessis, MD R M Feinblum*
**Capital structure:** *46,3m ords Market capitalisation, R150,5m*
**Share market:** *Price· 325c Yields· 7,5% on dividend; 18,0% on earnings, p e ratio, 5,5; cover, 2,4 12-month high, 500c; low, 320c Trading volume last quarter, 884 000 shares.*

| Year to Jun 30 | '87 | '88 | '89 | '90 |
|---|---|---|---|---|
| ST debt (Rm) | 0,2 | — | 3,7 | 10,5 |
| LT debt (Rm) | 0,5 | 0,03 | 14,8 | 21,5 |
| Debt equity ratio .. | — | — | 0,16 | 0,27 |
| Shareholders' interest | 0,49 | 0,49 | 0,44 | 0,48 |
| Int & leasing cover | 9,5 | 12,8 | 9,8 | 5,6 |
| Return on cap (%) | 32,1 | 28,3 | 25,5 | 24,0 |
| Turnover (Rm) | 152,4 | 329,3 | 420,3 | 531,9 |
| Pre-int profit (Rm) | 21,1 | 37,9 | 48,9 | 60,7 |
| Pre-int margin (%) | 13,9 | 11,5 | 11,6 | 11,4 |
| Earnings (c) | 29,6 | 43,8 | 56,8 | 58,6 |
| Dividends (c) | 6,0 | 17,5 | 22,5 | 24,5 |
| Net worth (c) | 100 | 162 | 198 | 229 |

**Conshu's trading** performance belies the fall in footwear demand and production problems experienced in financial 1990 But the acquisition of Jordan Shoes, and Wayne Manufacturing's reverse takeover of Phoenix Rubber, diluted attributable benefits Despite difficult economic conditions, demand has recovered and the outlook for 1991 appears positive

A sudden and sharp slowdown in the demand for footwear in 1990 caused retailers to destock and manufacturers to curtail production. This slowdown, combined with a loss of production — particularly in Natal — owing to sociopolitical unrest, hindered Conshu's trading performance But operating profit increased 24,3% on a 26,6% turnover rise — this includes Jordan and Phoenix for the first time.




**Conshu's Feinblum** *diversified base for expansion*

Jordan was acquired from Safren with effect from July 1 1989 for R21m cash and shares, and is intended to strengthen Conshu's position as leader in the middle and upper-branded footwear markets

The reverse takeover of listed Phoenix — for R45,8m — and the injection of all Conshu's rubber and PVC manufacturing operations into it "provided a diversified base for further expansion against a background of limited growth in the footwear business," says CE Robert Feinblum It has an expanding customer base which includes the automotive, building and service industries. The company, renamed Wayne Manufacturing, contributed 21% of group turnover and operating income, and reported EPS of 13c (11,6c)

The acquisitions and the decision to buy properties, on which the group's manufacturing facilities are sited, pushed up debt but the balance sheet remains healthy. This year another five factory properties have been bought for R9,25m. Financial director Charles Rapp says the shoe division remains a net cash generator and its debt will fall, but the increased diversification and growth of Wayne will limit the decline in group debt

A strong pick-up in demand since July and restocking by retailers have led to a surge of last-minute orders Rapp says Conshu's order books are full until the end of December and factories are operating at full production A new factory at Babalegi, producing export-quality safety footwear, will open in November and add to successful export sales

A number of new projects are under way at Wayne that will facilitate diversification from footwear, such as the production of baby teats and import replacement windscreen wiper blades

Feinblum is cautious about the strength of earnings growth this year but, if the revival in demand holds, it could be better than expected.

At 325c, the share stands just above the 12-month low but remains one of the better-rated companies on the clothing and footwear board

*Pam Baskind*

# Dilution from rights issue reduces Lenco's earnings

187

B Day 18/12/90

CHARLOTTE MATHEWS

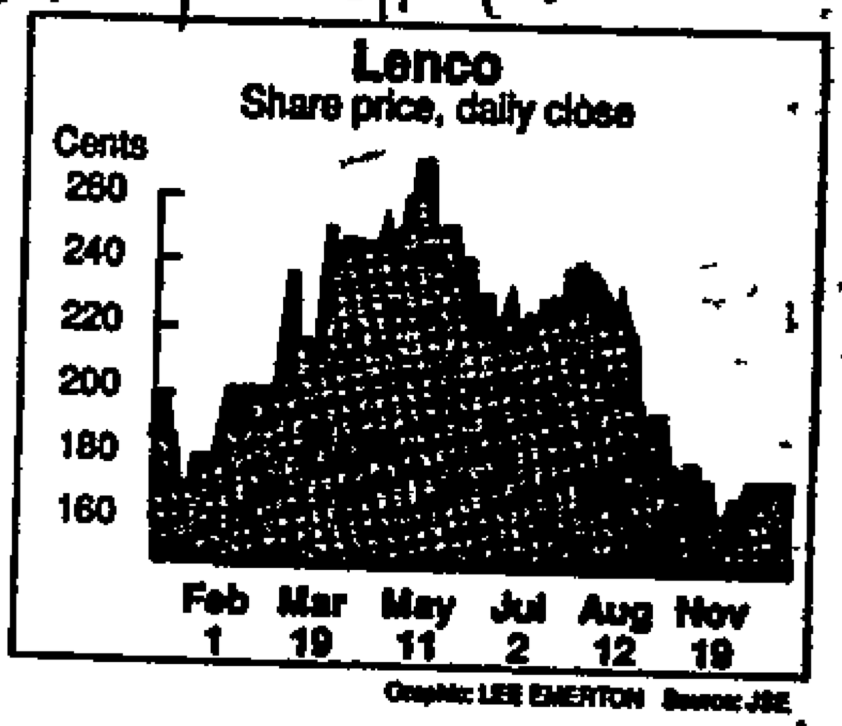
DIFFICULT operating conditions, high interest rates and the dilution caused by the rights issue of an additional 12,4-million shares reduced Lenco Holdings' earnings to 18,2c (20c) a share in the six months to end-August.

Lenco derives its income from a 52%-holding in shoe manufacturer Amshoe, 93% of clothing group House of Monatic and 48% of newly formed packaging company Combined Packaging (Compak).

Turnover in this period rose 61% to R229m but operating margins narrowed to 13% from 15%.

Unrest and labour problems were experienced in the group's footwear division.

Finance costs doubled to R8,9m despite the injection of R31m from the rights offer held in May. The balance sheet showed net interest-bearing debt rose to R78,6m from R50,7m but because of additional shareholders' funds of R92m, gearing fell to 47% from 97%.




Financial director Stanley Stubbs said the costs of the Compak acquisition had offset some of the gains from the rights offer.

Compak, listed in March, was formed from the merger of Lenco's Elvinco division, Ruhold's rigid plastics packaging division, the provisionally liquidated Alfa Manufacturing and Kohler's rigid plastics division Xactica.

After a 25% tax charge of R5m, ordinary shareholders income was R8m, little changed from the previous year's R7,98m.

The company does not declare an interim dividend.

The directors said all divisions had traded satisfactorily and they anticipated an improved performance in the second half of the current year.

Lenco shares closed unchanged at 175c yesterday, representing a 10c gain from the year's low of 165c recorded in November. In April the shares were at a year high of 270c.

At 175c the shares offer a historical dividend yield of 5,14% and an earnings yield of 25,88%.

Last week Lenco proposed the delisting of 93%-held House of Monatic.

# Conshu turnover up 41%

BDay 14/2/90 (187)

CHARLOTTE MATHEWS

RECENT acquisitions helped boost Conshu's turnover by 41,6% to R286m for the six months to December against R201m for the previous interim period, but they also took some of the shine off attributable profits.

Attributable profits rose a more restrained 17,6% to R13,9m (R11,8m). Earnings of 30,1c (28,3c) a share were achieved on an increased number of shares in issue to partly fund acquisitions and partly create a share trust for employees.

An interim dividend of 10,5c (9c) was declared.

Conshu has two major areas of operation — footwear, which accounts for around 73% of attributable profits, and wholly moulded plastic, rubber and canvas footwear and rubber products, which contribute 25%

Conshu's interest bill rose nearly four times to R4,6m from R1m in the comparable period. CE Robert Feinblum said the acquisitions of Jordan Shoes, the Jordan factory property and Phoenix raised borrowings and higher interest rates were also a factor.

"With the turnover growth, extra finance was required and this has placed some strain on the gearing," Feinblum said

"But I believe this is only a temporary phase."

There was a small decline in operating margins as a percentage of turnover to 11,6% from 12,2%. The decline was the result of changing trading conditions and the company's move towards the more casual, lower margin type of footwear, according to financial director Charles Rapp.

"The company has performed consistently well," Feinblum said.

COMPANIES

# Edworks helps Homemakers boost earnings

B\Day 16/3/90

(187)

SYLVIA DU PLESSIS

MANAGEMENT at FSI's consumer goods retailer and distributor Homemakers weathered tough trading conditions in the year to December to post a 20% rise in earnings to 112c (93c pro forma) a share.

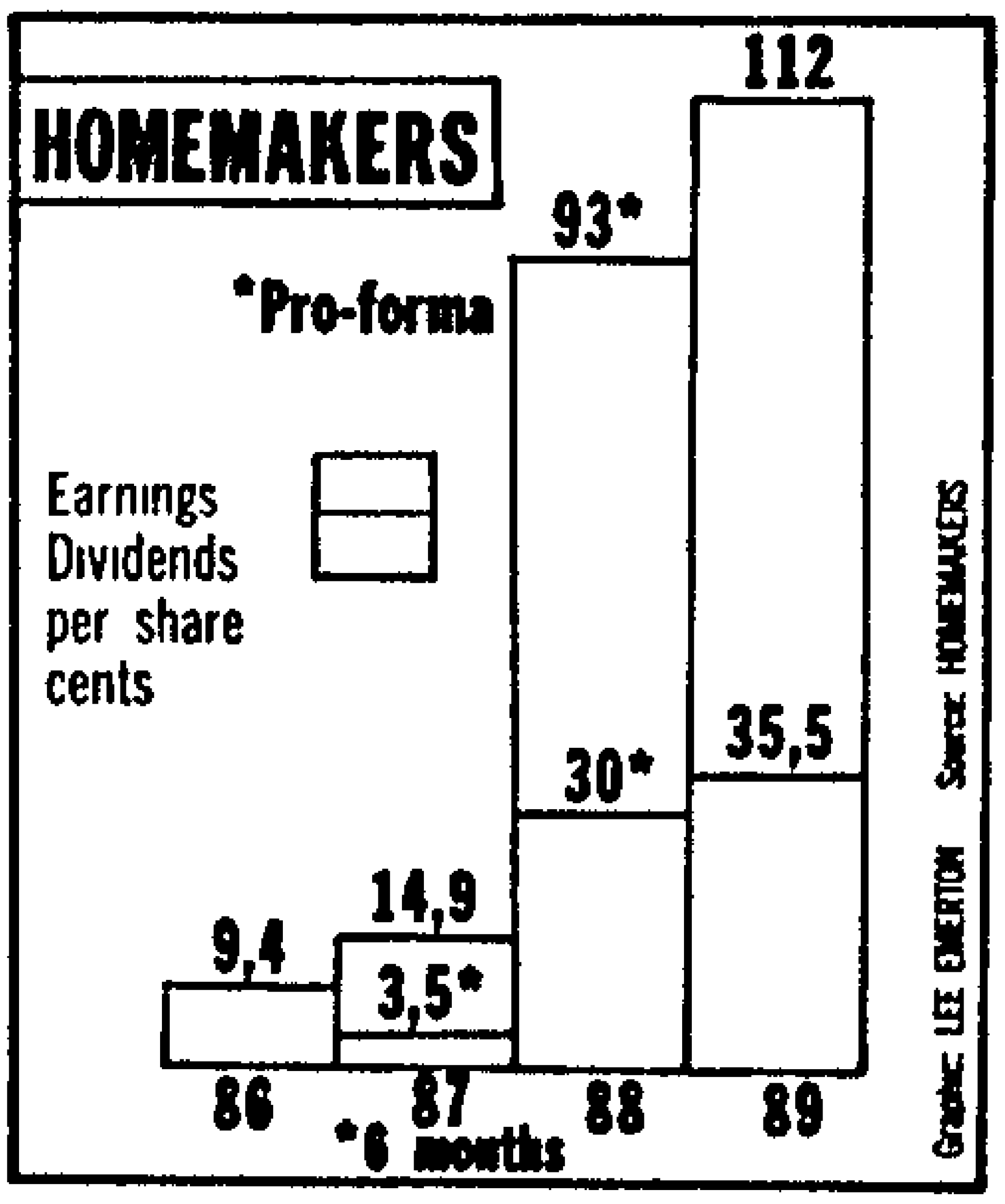
Chairman Jeff Liebesman said yesterday steps to prepare operating companies for a downturn in consumer spending proved effective, with management focus on control of overheads, rationalisation and internal efficiencies countering tighter trading conditions

Companies in the group's stable include shoe manufacturer and retailer Edworks, furniture retailer JD Group and photographic and electronic retailer Milstan, in which a 30% stake was acquired during the year.

The pre-emptive measures adopted by management of these companies saw group turnover during the period under review climb 29% to R531,4m and operating profit grow 33% to R76,5m to lift margins to 14,4% (14%).

After finance charges 132% higher at R19,8m — reflecting higher interest rates and borrowings to fund the Edworks acquisition — attributable profit was still up at R41,5m (R34,5m) A final dividend of 24c lifted total distribution to 35,5c (30c) a share, covered 3,15 times.

Liebesman said the "biggest" news was that Edworks — rescued by the group from provisional liquidation in July — made a contribution to profits




"We are expecting great things of Edworks during the coming years."

However, group results were built on "all-round" strength, with 49%-owned JD Group continuing to deliver real growth and further improving the quality of its debtors book, he added.

The balance of Homemakers' portfolio posted even faster growth, with its portion of earnings per share growing by 57%, compared to 48% the previous year. This trend should continue.

CE Hilton Nowitz said earnings in the current year would show "satisfactory" growth, given stable operating conditions and declining interest rates.

The share firmed 10c to 480c yesterday, just below its January high of 500c.

CT-TMH 13/4/90

# Anti-drug march banned

Crime Reporter

AN anti-drug march by Salt River residents planned for this afternoon has been banned by the chief magistrate.

The march, organised by the Salt River Co-ordinating Council and the Cape Town Drug Centre, was to have started at the Tennyson Street Mosque at 2.30pm and ended at Woodstock police station where a petition was to have been handed over.

Last night an organiser, Moulana Azeem Khatieb, said it had been banned "due to a lack of policemen" at the weekend.

# M & S Spitz recovering from fall in sales

CHARLOTTE MATHEWS

THE release of ANC deputy president Nelson Mandela at the beginning of February was followed by an abrupt "horse's tail" in retail sales at the up-market M & S Spitz footwear chain for the remainder of that month

Bolton Footwear (Bolwear) executive deputy chairman Brian Puchert — Bolwear acquired M & S Spitz in February 1989 — said last week that sales had picked up slightly in March but were not yet at their previous level

Bolwear MD Sid Finlayson said the group was unlikely to show results in the second half of the financial year to February comparable with operating profit's 35% rise in the first half

He said this was partly because results were seasonally influenced and the first half was traditionally better

However, he said the interest bill had soared to about R4,2m (R873 000) in the year to February 1990 largely as a result of borrowings for the acquisition of M & S Spitz

187

Citizen 4/4/90

# Boltons investments show good growth

(187)

By Ann Crotty

Good improvements from its major investments — Cargo Carriers and Bolton Footwear — enabled Bolton Industrial Holdings to report an 18,7 percent in earnings to 143,2c (120,6c) a share

A final dividend of 28c a share has been declared bringing the total for the year to 46c — 21 percent up on the previous year's 38c

Group turnover was up 40 percent to R362,6 million (R258,2 million), operating profit rose 41 percent to R27,8 million (R19,7 million), after a tax charge of R12,38 million (R8.5 million) and minority interests of R8 million (R5 million), the group reported attributable earnings of R7,4 million (R6,2 million)

Cargo Carriers managed to convert a 22,4 percent increase in turnover into a 43 percent advance in earnings while Bolton Footwear converted a 66,2 percent turnover increase into a 10 percent advance at the earnings level

Cargo's improvement came off a relatively low base but was achieved in spite of industrial relations problems which continued into the third quarter In addition the company had to face a hefty increase in its interest payments — up from R1,1 million to R4,7 million The higher interest charge was attributed to the capital cost of the fleet replacement programme, the upgrading of facilities and higher interest rates

The most significant aspect of Cargo's results is the considerable improvement in margins These increased from 6,7 percent to 8,9 percent and translated a 22 percent rise in turnover (up to R174,5 million) into a 63 percent hike in operating profit — to R15,7 million

Attributable profit was up 43 percent to R7,4 million (R5,2 million) equivalent to 37,3c (26c) a share from which a dividend of 13c (9c) has been declared

Bolton Footwear's 66 percent increase in turnover (helped by the acquisition of M&S Spitz) was diluted by a sharp hike in interest payments and an increase in the tax rate

The former was attributed to the need to fund the higher turnover and the higher level of interest rates The increase in tax was due to the expiry of decentralisation benefits Earnings per share were up 10,2 percent to 33,4c from which a dividend of 11c was declared

COMPANIES

# Subsidiaries help bolster Bolton

(187) BiDay 4/5/90

ZILLA EFRAT

BOLTON Industrial Holdings's earnings rose 18,7% in the year to February after improved results from Bolton Footwear and Cargo Carriers in particular

Earnings were 143,2c (120,6c) a share A final dividend of 28c brings the annual total to 46c (38c) a share, up 21% and covered three times

Bolton's profits are derived from its 34,6% stake in Cargo Carriers and 74,1% holding in Bolton Footwear. Another subsidiary, Bolton Property, is disposing of some fixed properties and plantations to distribute surplus funds among investors

Bolton directors expect a further real increase in earnings from Cargo and to attain acceptable levels of performance from Bolton Footwear

Cargo carriers delivered the goods with a 43,4% rise in earnings in spite of continued labour problems. On earnings of 37,3c (26c) a share, the annual dividend rose to 13c (9c) a share covered 2,9 times

Cargo's turnover rose 22,4% to R174,6m (R142,5m), while operating profit was up 62,6% at R15,7m on improved margins

The capital profit on the sale of vehicles jumped to R1,2m (R560 000), but the interest bill soared to R4,8m (R1m) due to capital costs of fleet replacement, the upgrading of facilities and higher interest rates

Bolton Footwear's results, however, were affected by a higher tax rate, increased interest charges and the downturn in demand for consumer durables

Earnings rose 10,2% to R6,7m (R6m) or 33,4c (30,3c) a share The total dividend for the year was 11c (9,6c) a share, up 14,6% and covered 3 (?,2) times

Boosted by the acquisition of a controlling interest in M & S Spitz Footwear at the beginning of the year, turnover jumped 66% to R188m (R115,7m) and operating profits jumped 74,6%

But interest charges, up to R4,3m (R873 000), and a higher tax rate at 49,5% (42,9%) because of the expiry of decentralisation benefits, took their toll on earnings

On the Bolton Properties side, the sale of most of its pine plantations in the southern Cape boosted earnings by 131% to R5,4m (R2,5m) or 39,1c (16,9c) a share

Extraordinary items, totalling R1,4m for the year, mainly represent profits on the sale of land and buildings The proceeds of these abnormal sales were distributed to shareholders via a reduction in share premium account of 230c a share in March The final dividend of 15c a share, making a total of 19c for the year, is based on the cash available for this purpose

Bolpro's directors emphasise that the realisation of assets and the distribution of surplus funds will considerably diminish shareholders' income and dividends will similarly have to be reduced

If there are no further sale of assets during the current year, estimates of Bolpro's net income are projected at 10c a share which will be distributed to shareholders in full

# Amshoe shines with earnings rise

ACHMED KARIEM

NIMBLE footwork from Amalgamated Shoes (Amshoe) in the year to February has allowed the manufacturer to report a 32,4% increase in earnings to 33,5c (25,3c) a share and dividends of 9c (7c) for this period

This was in spite of finance charges which climbed to R4,7m from a corresponding R1,2m and a higher effective tax rate of 28,7% BDay 4/5/90

The group, with six footwear manufacturing points in Lesotho, QwaQwa, Maritzburg and Durban, lifted turnover by 39% to R207,5m (R149,3m) — owing mainly to increased duty-free exports to EC countries from Lesotho — and operating profit by 45% to R31,8m

CE Roy Eckstein said Amshoe had performed in line with management expectations, in spite of the current decline in clothing and footwear sales at the retail level (187)

While production volumes were not expected to increase substantially, benefits flowing from the group's cost containment programme and its successful policy of relocating existing facilities to decentralised areas should benefit the bottom line, he said

Amshoe shares, which peaked at 175c in January, yesterday bounced up 16,7% or 20c to 140c from a yearly low of 120c

Business Report

# Bolton Footwear continues on growth path

Citi Times 4/5/90 (187)

**Financial Staff**

SA BOLTON FOOTWEAR continued on a growth path assisted by the acquisition of a controlling interest in M & S Spitz Footwear Holdings at the beginning of the year

Bolton Footwear has completed a satisfactory operating performance in the year ended February 28, 1990, with operating profit up by 74,6% on a 66,2% growth in turnover.

Substantially higher interest, taxation and minority interest combined to cut back the growth rate to 10,2% at the earnings level at 33,4c a share

The annual dividend has been raised by 14,6% to a three times covered 11c

Interest paid rose substantially, reflecting the need to fund the increase in turnover and higher interest rates but borrowings are still within the company's policy limits.

The expiry of decentralisation benefits is reflected in a higher incidence of taxation and reduced growth in profits at the after-tax level to a 31% higher R7,93m

The minority stake further reduced growth to 10,2% at R6,67m translating into 33,4c a share, on the unchanged capital in issue

Looking ahead to the current year, management believes that acceptable levels of performance can be maintained in spite of the difficult trading conditions likely to prevail

Bolton footwear shares are presently priced at about 190c This gives yields of 17,6% on the new earnings and 5,8% on the new dividend

# Edgars outruns troubled industry

STAR 9/5/90 (187)

By Ann Crotty

In the 12 months to end-March 1990 Edgars managed to lift earnings by 26 percent to 243c (192,2c) a share, but chief executive Vic Hammond warns that "the soft landing is not so soft anymore"

Unless there is a dramatic change in current conditions, the remainder of calendar 1990 will see little joy for corporate SA

High-flying companies that have been turning in per annum earnings growth of 30 percent plus over the past three or four years are now hoping for unchanged real earnings for the remainder of 1990 and into 1991

On the basis of inflation forecasts, this points to nominal earnings increases of around 15 percent — and that's for the strong performers

This is particularly the situation in the retail sector Mr Hammond points out that spending on clothing, footwear, household textiles and accessories (CFTA) is expected to drop by two percent in real terms during the 12 months to March 1991

"I am hoping that Edgars will show a two percent real increase in sales but I'm not saying that this will produce a real increase in bottom line profits — I hope we can match inflation"

If, by being four percent ahead of the industry, Edgars can only just pip inflation on the profit line, then prospects for earnings performances from its competitors certainly look bleak

Financial 1990 saw another sterling performance from this blue chip performer

Despite the fiscal and monetary measures taken to curtail consumer spending and the major social upheavals which weakened second half trading conditions, the group managed to increase sales by 24 percent to R1,9 billion (R1,5 billion)

In real terms Edgars' sales were up by nine percent compared with the two percent increase in CFTA sales nationwide This means that Edgars has again significantly lifted its market share

## Consumer demand

A quarterly break-down of sales figures for the industry show the extent of the fall-off in consumer demand in recent months

In the September quarter, nominal sales were up 19 percent, in December, Christmas spending lifted this to 23 percent, then came the serious knock, in the March quarter CFTA sales were up by only 13 percent

Mr Hammond explains that the March quarter was significantly affected by general boycotts as well as disturbances throughout the country

Edgars managed to outperform the industry figures In the September quarter it increased sales by 22 percent, by 30 percent in the December quarter and, by 20 percent in the March quarter

Helped by the leverage impact of the increased sales as well as increased productivity, operating margins for the year were up to 14,5 percent from 13,2 percent.

This meant that the 24 percent sales increase was converted into a 36 percent hike in operating profit to R287,8 million (R211,9 million)

The interest bill shot up 82 percent to R44,7 million (R24,6 million) This was attributed to the heavier interest costs on an increased level of borrowings

Financing needs associated with the group's strong growth and the investment in improved store assets and technology all contributed to the increase in borrowings from R144 million to R241 million

An additional aggravating factor was that changes at the Receiver's office resulted in tax cash payments being much more in line (time wise) with the actual generation of the associated profits

## Heavier tax

This had an adverse impact on Edgars' cash flow Financial director Kevin Brewer pointed out that it resulted in Edgars having to make actual cash tax payments of R119 million during financial 1990 compared with R55 million in financial 1989

Without this and, without the need to transfer R20 million from reserves to deferred liabilities (to cover the change in the Receiver's lifo policy), management would have been able to hold gearing at around 45 percent As it was gearing moved up to 64 percent

The group's attributable earnings increased to 30 percent to R123,5 million (R95,2 million) A final dividend of 66c (53c) a share has been declared bringing the total to 93c — 24 percent ahead of the previous year's 75c

The balance sheet shows current assets (stocks and debtors) rose by 33 percent — from R909,6 million to R683,2 million — which is well ahead of the increase in turnover

Management stresses that the stocks are current and that debtors collections remain firm — allaying fears that the group will be left holding redundant fashion stock or that the current conditions have led to a signficant increase in bad debt

There was little change in the divisional contribution at pre-tax profit level Edgars contributed about 76 percent, Sales House accounted for around 20 percent and, Jet chipped in with four percent.

Star 9/5/90

# Lenco looks to shareholders

187

By Tom Hood

Lenco Holdings plans to raise about R31 million from shareholders to eliminate its debt, said managing director Douglas de Jager yesterday.

The Cape-based clothing, footwear and packaging manufacturer will offer shares at 250c against the JSE's current 260c, which is a 12-month high

After some major acquisitions, borrowings jumped to R34 million at end-February from R10 million a year ago.

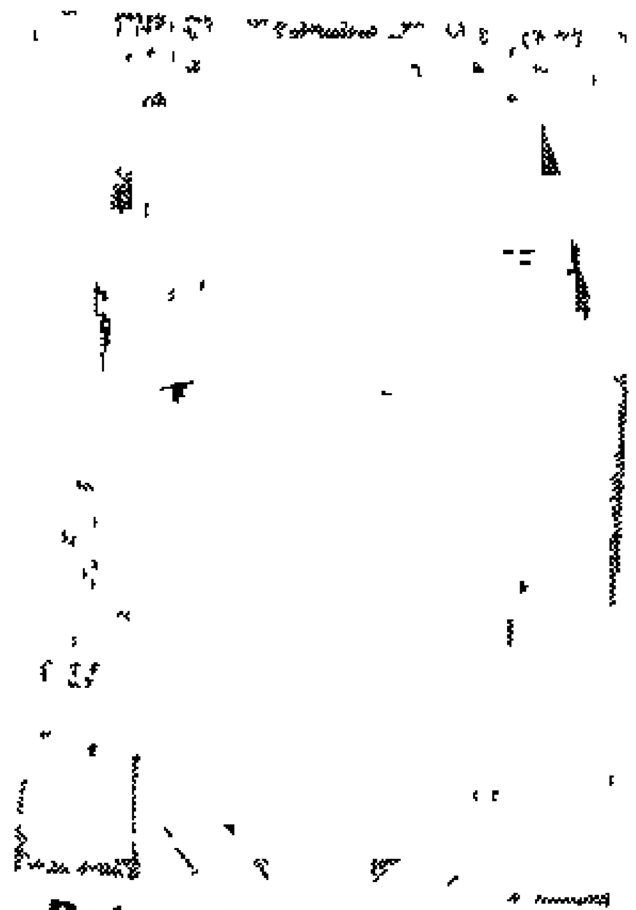
At the same time, net asset value has soared to 147,2c from 110,4c a share

Turnover for the year surged by R75 million (42 percent) to R284 million, while pretax profit rose 31 percent to R42 million

Finance costs more than doubled to R7 million and the tax bill rose R2 million to almost R8 million

However, earnings improved by R4 million (27 percent) to R18 million, equal to 45,3c (35,6c) a share

Shareholders will get a 29 percent rise in dividend, which is up from 7c to 9c a share.



Peter Cronshaw has been appointed an executive director of Genbel Investments Ltd

## Krugerrands

**Cape Gold Coin Exchange**

| | Buyers | Sellers |
|---|---|---|
| 1 oz | 1122 | 1138 |
| 1/2 oz | 570 | 590 |
| 1/4 oz | 290 | 300 |
| 1/10 oz | 115 | 125 |

# Shoe factories close down

Cape Times 15/5/90

187

**Own Correspondent**

JOHANNESBURG — Two Natal-based shoe companies, Classic and Picaninni, closed down last week and more closures are expected

Classic was based in Maritzburg and Picaninni Shoes in Durban

Footwear Manufacturers' Federation of SA (FMF) executive director Dennis Linde said yesterday the industry was being hit by a lack of consumer demand

Production figures in both January and February showed a decline of about 19% compared with the corresponding months last year

In February footwear production dropped to 3,9m pairs compared with 4,8m in February 1989

Conshu CE Robert Feinblum, who heads the largest local footwear manufacturer, attributed the decline in demand to destocking by retailers, high interest rates and unrest in the country.

However, he predicted a modest increase in Conshu earnings a share for the year to end-June

Amalgamated Shoes (Amshoe) CE Roy Eckstein said the company's drop-off for the first few months of the year had been closer to 10%, because it specialised in supplying the medium to lower income bracket.

B/Day 15/5/90

# Two shoe firms bite the dust

(187) ACHMED KARIEM

TWO Natal-based shoe companies, Classic and Picaninni, closed down last week and more closures are expected.

Classic was based in Maritzburg and Picaninni Shoes in Durban.

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Production figures in both January and February showed a decline of about 19% compared with the corresponding months last year.

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Amalgamated Shoes (Amshoe) CE Roy Eckstein said the company's drop-off for the first few months of the year had been closer to 10%, because it specialised in supplying the medium to lower income bracket.

"Although we are reasonably optimistic about having full order books for Christmas, our major problem is with the unions, because wage negotiations have broken down," he said.

Amshoe had offered a 17% increase, but the unions were demanding in the region of 35%-40%.

# Shoe workers give tongue

Labour Reporter

AKGas 17/5/90 (338) 187

THE 800-strong workforce at the Panther Shoes factory in Parow have held a peaceful placard demonstration in support of pay demands of between 30 and 38 percent

Senior shop steward Mr Peter Roolf said the average wage earned by leather workers in the Conshu group was about R145 a week

The company has offered a maximum across-the-board increase of 17 percent or R60

# Decentralised footwear firms shine

ACHMED KARIEM

DECENTRALISED areas manufactured 29,5% of the total footwear production in southern Africa last year

Footwear Manufacturers' Federation (FMF) executive director Dennis Linde said yesterday the organisation's estimates revealed that the 1989 aggregate output of the 13 states — Transkei, Bophuthatswana, Venda, Ciskei, Botswana, Lesotho, Swaziland, Gazankulu, KaNgwane, KwaNdebele, KwaZulu, Lebowa and QwaQwa totalled 26-million pairs, compared to 62-million pairs in SA

Linde said the trend was continuing although no comparable figures were available for 1988

He said the fast growth was due to incentives not available in SA, abundance of labour and weak union influence

Footwear journal Shoes and Views writers Geoff Hirsch and Karen McGugan said in its latest issue the "enormous growth" was despite being handicapped by a lack of trained labour and long distances from suppliers 6 | D (ay) 22 | 5 | 90

They said cumulative joint investment in Kwazalu had tripled in the past 5 years and now exceeded R1bn

Kwazulu had 21 footwear industries which employed 2 500 people amongst the 280 factories in its four growth points — Isithebe (near Stanger), Ezakhane (Ladysmith), Madadeni (Newcastle) and Ulundi

"Footwear and related products account for about 8% of employment, while overall employment, mainly of blacks, has doubled in the past four years"

Transkei had three industrial areas — Butterworth, Umtata and Ezibeleni — hosting 183 industries, including three footwear manufacturers, one tannery and one leather glove factory. (187)

Lesotho had four footwear factories, a tannery and three firms in related fields making products like sheepskin jackets, slippers, leather bags and sandals It has direct export facilities.

QwaQwa had seven footwear manufacturers, four leather-related industries and one tannery, whereas Bophuthatswana had two footwear manufacturers, one tannery and four related industries

Government spending on the self-governing states and four independent homelands will increase by 17% to R7,83bn during the 1990/91 financial year

B/Day 30/5/90

# Wage dispute, production dip plague Conshu

ACHMED KARIEM

UNRESOLVED, protracted wage negotiations and aproduction decline could lead to a pedestrian year-end earnings performance by footwear manufacturer Conshu Holdings, CE Robert Feinblum said yesterday. (137)

Feinblum saidhe was "not optimistic" about the figures, expected to be announced shortly

Productivity levels of the group, which posted interim earnings of 30,1c a share, had been unsatisfactory due to a nationwide go-slow in the footwear industry, he said.

The deadlock was due to union demands in excess of 40% against a 17% employers' offer.

Feinblum said the footwear industry was price and volume sensitive, and subjected to imports. It was confronted by high interest rates, lack of confidence in the economy and consumer resistance to prices.

This had led to shorter order books, retrenchments and unutilised capacity.

He expected Conshu's interest bill to rise to about R10m from R4,6m for the six months to end June.

The increase was due to higher interest rates and an increase in interest-bearing debt to help the acquisition of Jordan and Phoenix.

# Falling sales hit clothing

By DON ROBERTSON

FOOTWEAR and clothing manufacturers face falling sales and factory closures as a result of the sharp decline in consumer spending caused by political unrest and the economic slowdown

At least 25 small clothing manufacturers and two shoemakers have closed in the past six months with footwear manufacturers reporting a monthly decline in orders of 18,5% for the first quarter

The fall in footwear orders comes at a time when imports of shoes have fallen to their lowest in many years

Last year imports fell by 20% — and are still dropping But lower imports have not helped SA manufacturers

## Attitude

Bolton Footwear deputy chairman Brian Puchert says manufacturers with strong brands are able to withstand the worst effects of the downturn

(187)

Bolton, which has several top brands, has not felt the pinch as severely as some manufacturers Those with a large black market are among the worst hit

Mr Puchert says "Retailers, instead of ordering ahead, are adopting a wait-and-see attitude"

National Clothing Federation (NCF) vice-president Sadek Vahed is worried about the collapse in demand

S/Times 3/6/90

"We will have to tighten our belts or more companies will go to the wall"

The closure of 25 factories has already cost between 1 500 and 2 000 jobs and more are expected to follow

Mr Vahed says production costs have risen annually by an average of 20% for the past three years

He blames a 45% increase in the cost of labour in the past two years, a 70% lift in SA-made fabric prices and a 30% rise for imported fabrics

# Footwear industry is treading a hard road

Star 20/6/90 (187)

By Jabulani Sikhakhane

After showing signs of growth in 1989 the footwear industry could be heading for tougher times this year with footwear production for the first quarter showing a 16 percent drop compared with the corresponding period for 1988

The Footwear Manufacturers Federation (FMF) annual review says 1989 footwear production reflected a growth rate of 4,7 percent compared with 2,4 percent in 1988.

Total footwear produced during the year exceeded, for the first time, the 1981 record of 63 million pairs by 2,4 million.

However the FMF warns that production levels for 1990 are likely to be lower than 1989 January and February pairage has dropped by 18,5 percent with a corresponding reduction in employment of 5,5 percent

It notes that private consumption expenditure on clothing and footwear slowed down considerably in 1989, from 5,7 percent in 1988 to a growth rate of 3,6 percent in 1989, "which are all pointers to a substantial reduction this year or a possible negative growth rate"

Among other negative factors are continual raw material price increases which cannot continue to be absorbed, lower turnover because of the economic downturn, high interest rates and the uncertainty about the direction of recommendations by the Board of Trade and Industry on import duties

The Federation says the inflationary effect on footwear production of raw materials price increases is evident when seen against a 1982 situation where raw materials represented 49 percent of the total cost of sales compared with 54 percent last year

Leather remains a very important input for footwear manufacturing and leather prices are governed by the prices of hides, which have increased 400 percent between 1982 and 1989.

The interim duties introduced in November 1987 to restrict footwear imports, which in that year reached a record level in excess of 30 million pairs or 20 percent of the total footwear market, were effective in decreasing imported footwear from 15 million pairs in 1988 to 12 million pairs in 1989 This led to an overall increase in total local footwear production.

But it adds that the concessions applicable to goods from Turkey on the basis of a rebate of the full duty less 3 percent and exemption from payment of import duties remained a threat to the local industry

BOLTON FOOTWEAR F|M 22/6/90

# Activity slowing 187

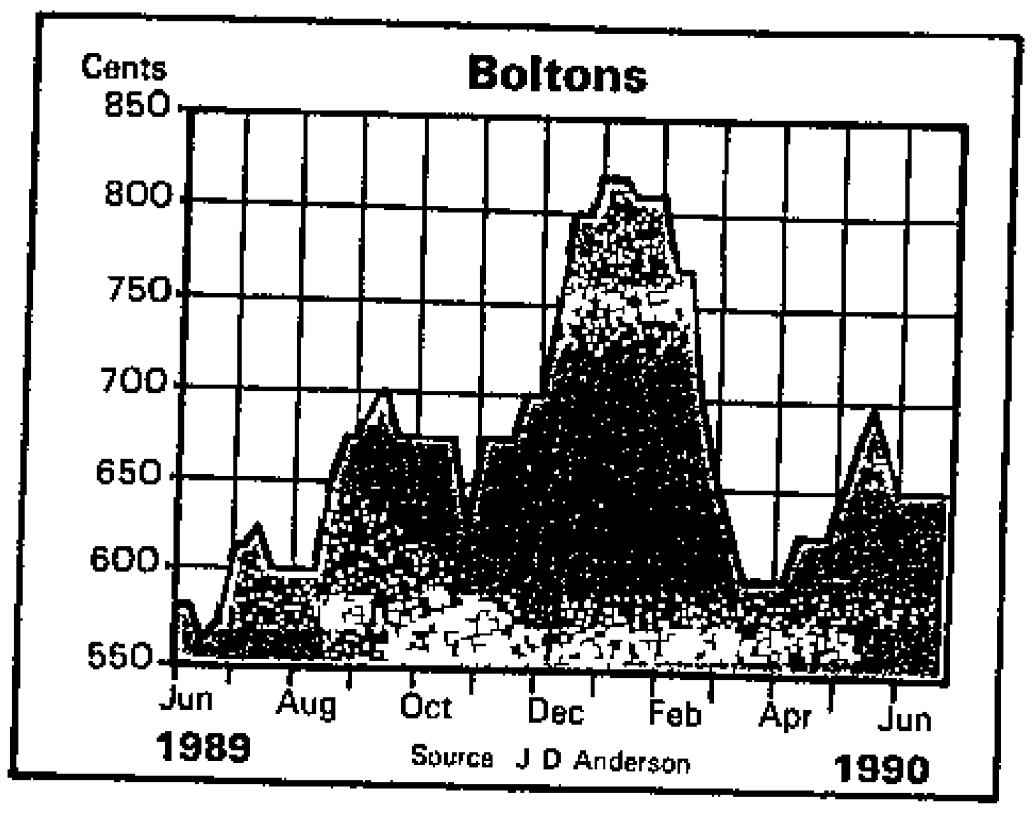
**Activities:** *Manufacture and merchandising of footwear*
**Control:** *Bolton Industrial Holdings*
**Chairman** *W F de la Harpe Beck, MD S R B Finlayson*
**Capital structure:** *20m ords Market capitalisation R29m*
**Share market:** *Price 145c Yields 7,6% on dividend, 23,0% on earnings, p e ratio, 4,3, cover, 3 12-month high, 225c, low, 140c Trading volume last quarter, 531 600 shares*

| Year to Feb 28 | '88 | '89 | '90 |
|---|---|---|---|
| ST debt (Rm) | 1,9 | 6,2 | 21,4 |
| LT debt (Rm) | 0,7 | 0,7 | 0,6 |
| Debt equity ratio | 0,08 | 0,18 | 0,44 |
| Shareholders interest | 0,70 | 0,63 | 0,53 |
| Int & leasing cover | 10,3 | 13,1 | 4,4 |
| Return on cap (%) | 18,5 | 18,8 | 21,3 |
| Turnover (Rm) | 95,0 | 115,7 | 188,0 |
| Pre-int profit (Rm) | 9,0 | 11,5 | 20,0 |
| Pre-int margin (%) | 9,5 | 9,9 | 10,7 |
| Earnings (c) | 22,8 | 30,3 | 33,4 |
| Dividends (c) | 5,0 | 9,6 | 11,0 |
| Net worth (c) | 172 | 192 | 212 |

**Bolton Footwear** increased its operating profit 75% on turnover growth of 63% in the 1990 financial year But, as expected, the momentum achieved in the first half slowed and interest payments and a higher tax rate



FM 22/6/90 187




dented after tax-profits R1,3m payable to Bolton's M&S Spitz partners also detracted from attributable earnings and EPS rose 10,2% to 33,4c

Turnover growth in the 1990 fiscal year, which includes Spitz for the first time, showed strong growth as the downturn in consumer demand and sales came late in the year Footwear continues to contribute the major share of profits MD Sid Finlayson says shoe manufacturing activity has dropped since November and this has shown at Bolton's factories Sales at the group's retail outlet, A&D Spitz, fell sharply in mid-February but have picked up slowly since Shoerama operates in a different market and its sales remain firm Margins in the footwear division declined in the final quarter and remain under pressure

A steep rise in debt and interest payments, due to organic expansion of the footwear division and the M&S Spitz acquisition, and a rise in the tax rate from 43% in 1989 to virtually 50%, tempered attributable profit growth The debt equity ratio deteriorated as debt rose to R22m and interest charges increased to R4,3m from R900 000

Other companies of Bolton Footwear — Elgin Timbers, Searles Homes and its motor dealerships — continue to do well and are benefiting from increased activity in the Mossel Bay area The irregular supply of vehicles remains a problem

Chairman Bill Beck expects the company to perform "acceptably" in 1991 — that is, he explains, in comparison to other companies dependent on the retail trade The extent to which the high interest bill and tax rate eroded earnings in 1990 should sound a cautious note to investors in a year of depressed demand *Pam Baskind*

# Amshoe pins hopes for growth on Lesotho factory

8 iog 31/7/90 (187)

Own Correspondent

DURBAN — Amshoe's Lesotho factory, expanded in 1989 and again earlier this year, is seen as holding the potential for much of the group's future growth, CE Roy Eckstein says in the annual report

The "foreign" factory has a low tax base, stable workforce and duty-free access to the EC

Amshoe has opened an additional factory at Ezakheni near Ladysmith Trading losses have been reversed as the plant has now become profitable "and we look forward to substantial growth in the future"

But Eckstein warns that with two trade unions likely to make excessive wage demands in the shoe industry, and managements being reluctant to meet these demands, "it seems that some period of industrial unrest is a possibility in the next few months"

Dividend cover is held at 3,7 times and a 9c (7c) dividend has been declared — an increase of 29%

# A step back for shoe production

(187) ACHMED KARIEM

FOOTWEAR production in SA declined by 15,7% to 11,4-million pairs from 13,5-million for the first quarter of 1990 compared to 1989, according to statistics released by the Footwear Manufacturers' Federation of SA (FMF). B1094 S17770

FMF director Dennis Linde said the decline was related to lack of consumer demand and he forecast possible negative growth for 1990.

At least four shoe factories have closed in Natal in the past six months, the latest being Lenzoni and National Bias Bindings The closure of Classic and Picaninni was widely reported. There was a 1,3% drop in employment to 28 259 in the quarter to March 1990

Although production in the Durban-Pinetown area has shown signs of a slow decay, it continues to dominate production with a 51,7% share of total production

AMREL FM 6/7/90

# Modest recovery

**Activities:** *Retails furniture, footwear and clothing* (187)

**Control.** *SA Breweries 69%*

**Chairman:** *J M Kahn, MD S J Berger*

**Capital structure:** *9,21m ords Market capitalisation R77,4m*

**Share market:** *Price 840c Yields. 9,8% on dividend; 29,2% on earnings, p e ratio, 3,4, cover, 3 12-month high, 860c; low, 700c Trading volume last quarter, 105 000 shares.*

| Year to Mar 31 | '87 | '88 | '89 | '90 |
|---|---|---|---|---|
| ST debt (Rm) | 7,6 | 5,8 | 7,2 | 0 6 |
| LT debt (Rm) | 155,3 | 132,5 | 121,2 | 94,8 |
| Debt equity ratio | 1,67 | 1,25 | 1,09 | 0,72 |
| Shareholders interest | 0,21 | 0,29 | 0,29 | 0,32 |
| Int & leasing cover | 1,42 | 3,30 | 3,34 | 5,80 |
| Return on cap (%) | 11,5 | 13,8 | 13,4 | 12,1 |
| Turnover (Rm) | 627 | 694 | 760 | 849 |
| Pre-int profit (Rm) | 43,3 | 52,8 | 53,6 | 48,8 |
| Pre-int margin (%) | 6,9 | 7 6 | 7,1 | 5 7 |
| Earnings (c) | 154 | 231 | 241 | 245 |
| Dividends (c) | 51 | 77 | 81 | 82 |
| Net worth (c) | 1 072 | 1 189 | 1 272 | 1 361 |

**The latest** results appear out of line with the more upbeat figures of some furniture retailers but are a modest recovery from a poor first half Pre-tax profit for the year rose 8% on a 12% turnover rise Even though a 27% hike in the interest bill, higher tax rate and lower contribution from equity-accounted associates (mostly Boymans) held the gain in

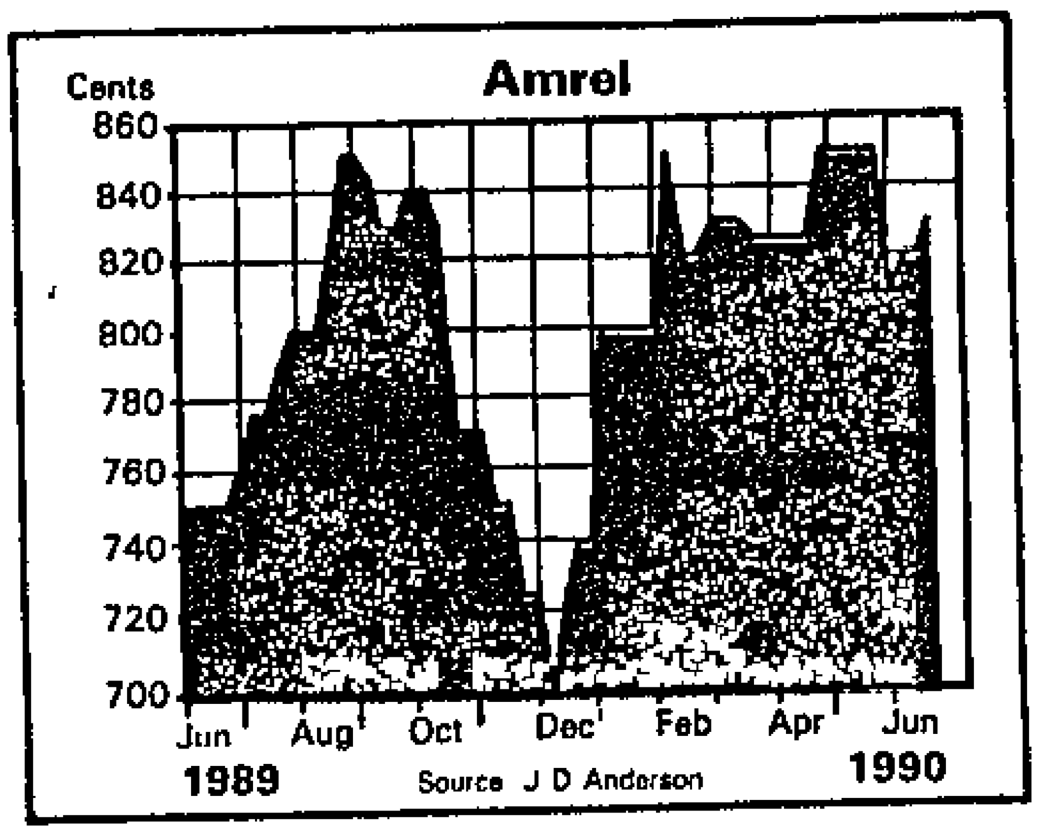
FM 6/7/90

attributable earnings to 1,8%, this compares with a half-time decline of 8,3%.

Management is happy with this. MD Stan Berger says the strategy in recent years has been to strengthen the balance sheet and earnings quality, not chasing sales at the expense of sustainable profitability.

National retail furniture sales were buoyant throughout the year, but turnover of the furniture and appliances division rose only 12,9% and earnings 6% Appliance sales were generally weak in 1990 due to tight credit restrictions, whose easing may benefit Amrel later this year (187)

First-half sales of footwear and apparel held up well, but Berger says thereafter margins came under increasing pressure. The loss-making Smiley Blue, Goophees and Rock Bottom — with about R4m turnover at mid-year — were sold for R2,8m. The 9,1% sales growth and 22% fall in earnings from




the footwear and apparel division largely reflect bad results from Select-a-Shoe/Footprint and the 36% stake in Boymans

Turnover of the small services division (Early Bird, Multiserv and Prontaprint) grew 15,4%, but earnings were slightly off.

Berger says the intention is to increase the profit contribution from cash-based footwear and apparel, slowly reducing furniture's contribution to 50% from the present 66%

The balance sheet has been rationalised The debt equity ratio is down for the third straight year The interest in 50%-owned finance company Amretfin has been reduced by greater use of external debt and tighter control of debtors Berger says all debtors' books improved, net debtors, including those financed by Amretfin, rose only 8%

Stocks were written down and deferred tax comprehensively provided for; no further arrear write-downs are expected Foreign subsidiaries over which there is effective control — such as those in Bophuthatswana and Swaziland — have been consolidated.

Berger says depressed retail activity will make it difficult to increase earnings this year but the group is well placed He is cautious about prospects for furniture but expects improved profitability from footwear and apparel. New store openings will be resumed and systems will be upgraded

With the sustainability and quality of earnings now looking better than those of some competitors, the share price, at 840c, is close to the 12-month high. *Pam Baskind*

LENCO FM 13/7/90 (187)

# Turnround specialist

**Activities:** *Investments in clothing, footwear, rigid plastic packaging and property*
**Control:** *Lenco Investment Holdings (Pty) holds 56,6%*
**Chairman:** *D B de Jager, MD G D de Jager*
**Capital structure:** *39,9m ords Market capitalisation R89,8m*
**Share market:** *Price 225c Yields 4,0% on dividend, 20,1% on earnings, p e ratio, 5,0, cover, 5 12-month high, 270c, low, 160c Trading volume last quarter, 1,07m shares*

| Year to Feb 28 | '88 | '89 | '90 |
|---|---|---|---|
| ST debt (Rm) | 7,0 | 21,8 | 6,0 |
| LT debt (Rm) | 10,8 | 21,9 | 28,3 |
| Debt equity ratio | 0,40 | 0,16 | 0,42 |
| Shareholders interest | 0,32 | 0,42 | 0,47 |
| Int & leasing cover | 3,2 | 8,9 | 5,7 |
| Return on cap (%) | 12,0 | 22,4 | 24,4 |
| Turnover (Rm) | 120,0 | 207,5 | 283,9 |
| Pre-int profit (Rm) | 11,6 | 29,9 | 42,3 |
| Pre-int margin (%) | 9,7 | 14,4 | 14,9 |
| Earnings (c) | 21,2 | 35,6 | 45,3 |
| Dividends (c) | 5,0 | 7,0 | 9,0 |
| Net worth (c) | 72,6 | 88,7 | 141,2 |

**Much financial** footwork and many intricate deals have created the group In the process, turnover has grown to R280m in 1990 from just R1,3m in 1986. EPS have shown similar exponential growth

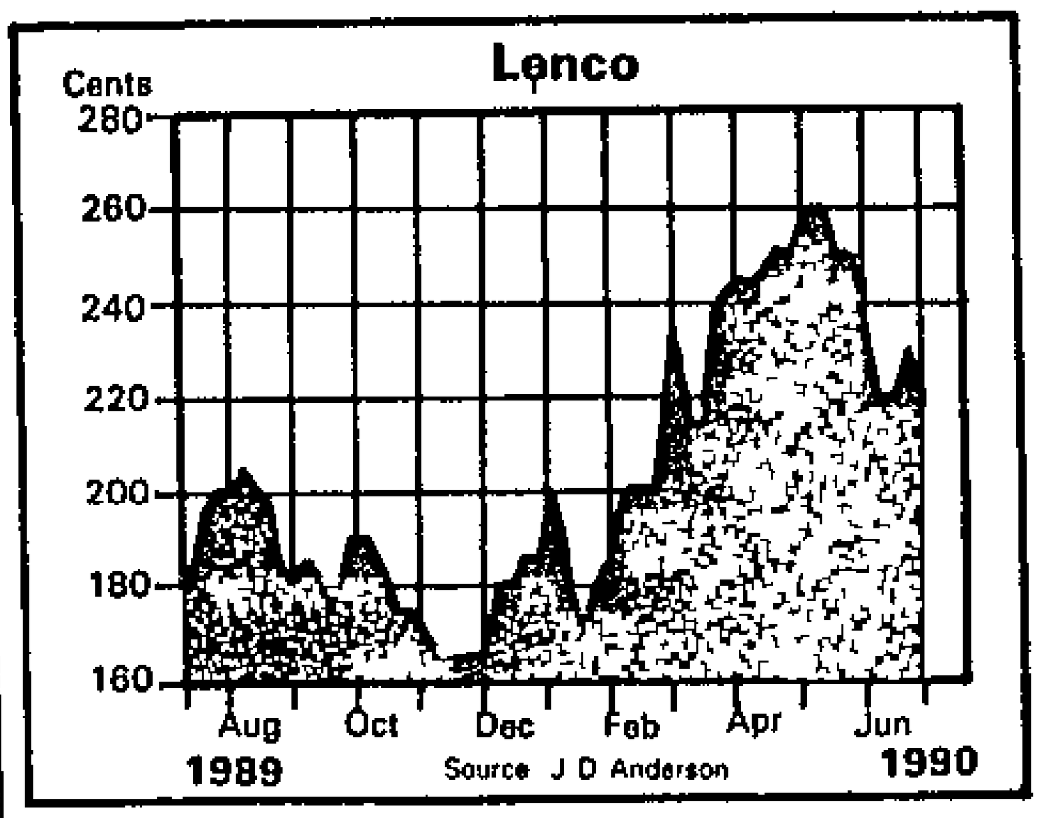
CE Douglas de Jager has proved adept at making loss-making ventures profitable He began with Elvinco Plastics (rigid plastic packaging), which he pocketed in 1985 He did it again with House of Monatic (HoM), which avoided liquidation when Rembrandt bought it from the Back family It then passed through the hands of both Rembrandt and Pep Neither could turn it around but it has been profitable since De Jager acquired it from Pep in 1987

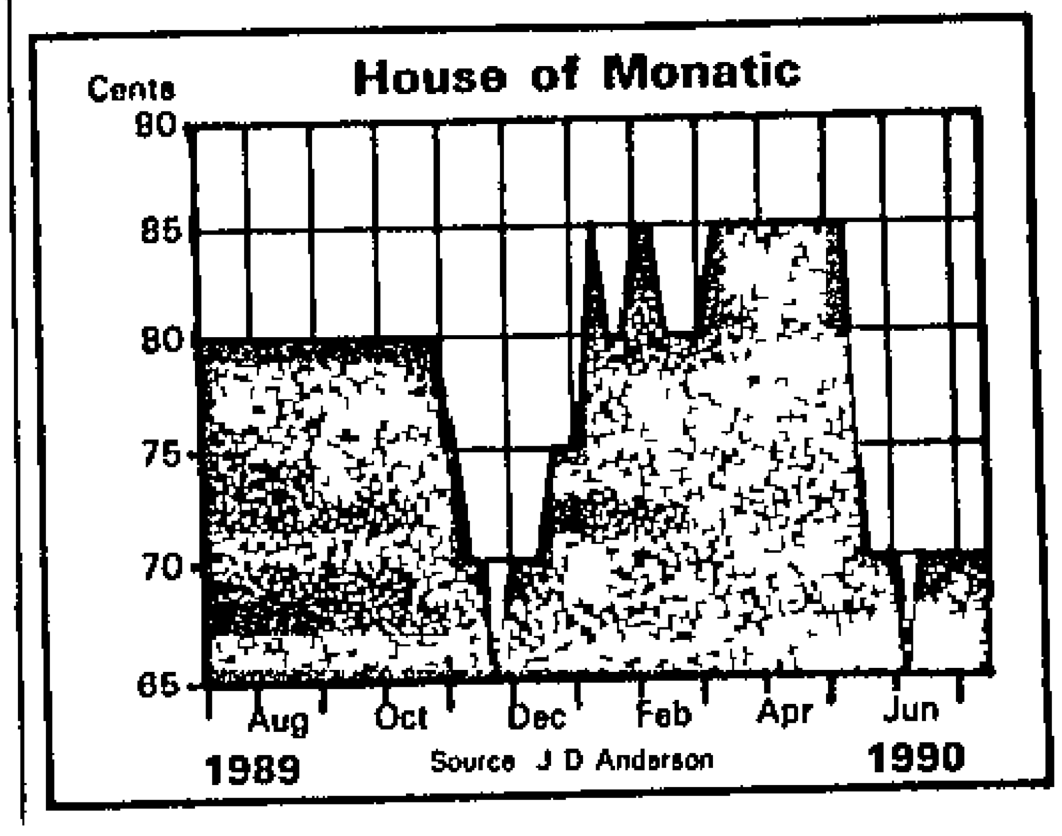
When De Jager merged Budget Footwear with Jaguar Holdings, Lenco obtained control of the new Amalgamated Shoes (Amshoe) This left Budget as a cash shell into which HoM was reversed

FM 13/7/90 (187)

Last year's earnings came from Amshoe (52%), HoM (30%) and CMI (18%), which, until year-end, controlled Lenco's foundation stone — Elvinco Three significant events have, however, since taken place

☐ First, Combined Packaging (Compac) has been created In December, Lenco and Rubenstein Holdings (Ruhold) entered into agreements with creditors of the provisionally liquidated flexible packaging manufacturer, Alfa Manufacturing Later, De Jager negotiated the takeover of Kohler's rigid packaging division from Holdains Then he reversed Elvinco's rigid packaging interests into Kohler' and Ruhold's flexible packaging interests into Alfa, whose name was changed to Compak, now one of the largest packaging companies




☐ Second, a joint controlling interest of 16,5% of Lenco has been sold to Remgro out of the ultimate pyramid Lenco (Pty) for R15,9m Aside from permitting the De Jager family to capitalise on its efforts, this link gives the group additional lustre

☐ Third, a R31m rights issue virtually eliminated debt, bringing a big interest saving and, more significantly, substantial capacity for further development and expansion

De Jager is optimistic about Compak's prospects With full order books for HoM beyond financial year-end, he is even more so, though there is a caveat HoM's tax holiday is over A dark also cloud hangs over Amshoe unrest in Natal will hit its Durban-Maritzburg factories

Even so, an investment in the ungeared Lenco, covering such natural growth areas as clothing, footwear and packaging, could be rewarding long term *Gerald Hirshon*

B/Day 18/7/90

# Call to revise work ethic

ACHMED KARIEM

INVESTMENT holding company Lenco will have to reassess any further investment in labour-intensive industries because of the current climate in the industrial field, financial director Stanley Stubbs said yesterday (187)

He said this was the gist of chairman Douglas de Jager's speech to shareholders at the AGM yesterday before his departure for overseas

He said SA would have to re-examine its work ethic.

Stubbs said the Lenco Group had invested at least R25m in a new plant in the past three years and would have to look at further mechanisation in the future

AMSHOE FIM 20/7/90

# Harder road

(187)

**Activities:** *Manufacturing shoes*
**Control:** *Ultimate control Lenco Holdings*
**CE:** *R S Eckstein*
**Capital structure:** *57,7m ords Market capitalisation R83,6m*
**Share market.** *Price 145c Yields 6,2% on dividend, 23,1% on earnings, p e ratio, 4,33, cover, 3,7 12-month high, 175c, low, 105c Trading volume last quarter, 335 000 shares*

| Year to | '88 | *'89 | '90 |
|---|---|---|---|
| ST debt (Rm) | 4,3 | 5,2 | 1,5 |
| LT debt (Rm) | 0,6 | 8 6 | 7 9 |
| Debt equity ratio | 0,31 | 0,64 | 0,22 |
| Shareholders' interest | 0,63 | 0,35 | 0,70 |
| Int & leasing cover | 9,3 | 16,7 | 6,8 |
| Return on cap (%) | 27 4 | 31 9† | 52 4 |
| Turnover (Rm) | 56,2 | 157,3 | 207,5 |
| Pre-int profit (Rm) | 6,9 | 22,0 | 31,8 |
| Pre-int margin (%) | 12,2 | 14,0 | 15,3 |
| Earnings (c) | 15 5 | 23,9 | 33,5 |
| Dividends (c) | 4 | 6† | 9 |
| Net worth (c) | 37,6 | 37 2 | 73,9 |

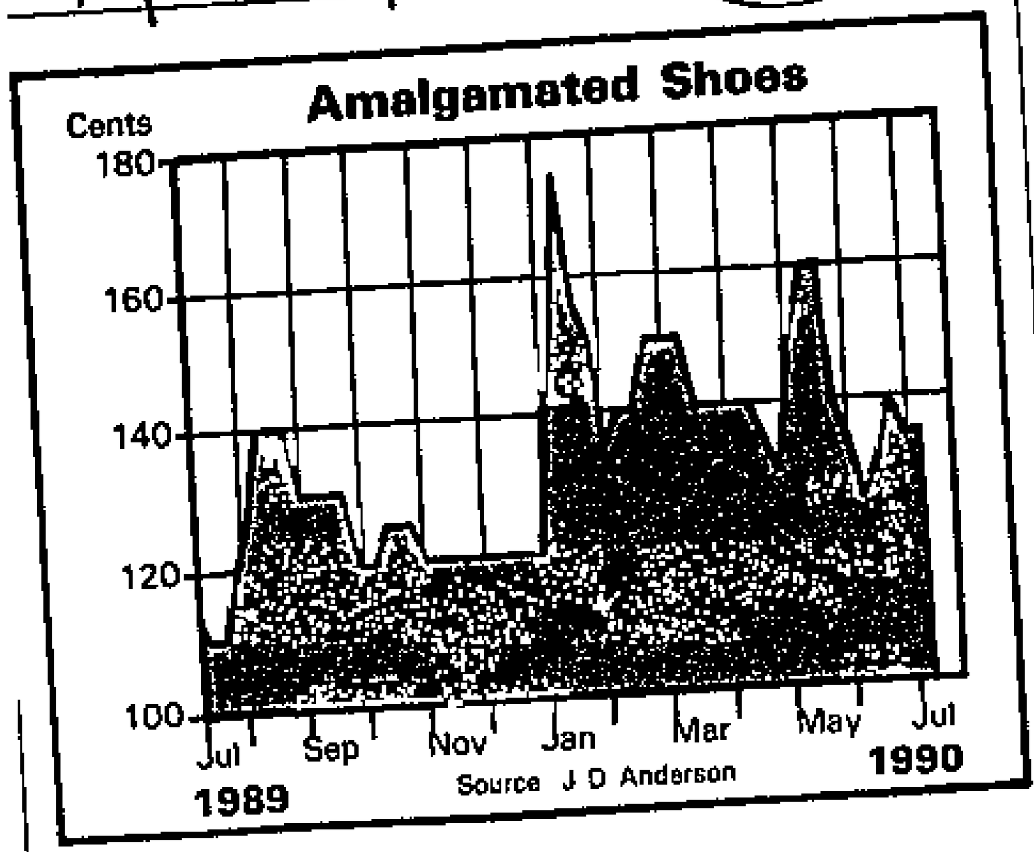
* 14-month period
† Annualised

**After shining** results in the year to February, Amalgamated Shoes (Amshoe) is now threatened with a double scuffing of labour militancy and slackening consumer demand

Last year, the footwear manufacturer reported a 32,4% increase in earnings to 33,5c on an increased turnover of R207,5m This performance was in spite of a 260% increase in finance charges to R4,7m and a higher effective tax rate of 28,7%

The group, with its six footwear manufacturing facilities in Lesotho, QwaQwa, Pietermaritzburg and Durban, increased its turnover mainly because of an increase in duty-free exports to the EC from Lesotho. Amshoe's operating profit increased by 45% to R31,8m

FIM 20/7/90 (187)




Footwear production in SA dropped in February to 3,9m pairs, compared to 4,8m in February 1989 Two Natal-based shoe companies have been closed since the end of the financial year and more closures are expected

CE Roy Eckstein says the company's drop-off for the first few months of the year had been closer to 10% in comparison to the industry decline of approximately 20%, because it specialises in supplying middle- to lower-income buyers He adds that factories and employees have been affected by the Natal violence and warns of the potential for shop-floor conflict as shoe makers are reluctant to accede to "excessive" wage demands

On the current year Eckstein says production volumes are not expected to increase materially, though the factory relocations and cost containment programmes should benefit the bottom line

Amshoe is currently operating from a good financial base with significantly reduced interest-bearing debt The Lesotho factory has been expanded and its potential to generate earnings looks good given its easy access to the EC, its stable work force and low tax base Still, at 145c, the share seems better suited to investors with longer-term objectives

*Gerhard Slabber*

FINANCE

# Footwear industry continues downward trend

B|Day 1|8|90

187

ACHMED KARIEM

THE SA footwear industry continued its downward trend with a 20,3% decline in production to 18,5-million pairs (23,2-million) for the first five months of 1990.

Footwear Manufacturers' Federation of SA (FMF) executive director Dennis Linde said in an interview this week the slump was due to a lack of demand and "severe work stoppages in May".

Linde said although the summer ranges from June would show a slow improvement, total production figures for the year would still reflect negative growth.

Amshoe financial director John Ward said the small decline in the company's production was due to the economic downturn, unrest in the Maritzburg area and general labour disruption.

FMF statistics released yesterday revealed a 5,3% drop in employees to 27 430 (28 977) for May 1990.

Figures for May 1990 indicated that the footwear industry continued to be dominated by the Durban-Pinetown area which accounted for 54,3% of total production in SA

Although the May production in the western Cape and southern Cape, Midland and Border areas had shown a sharp decline, these areas continued to maintain a 24,9% market share.

FOOTWEAR INDUSTRY

# Tying up supply (187)

**It may** be some consolation to the footwear industry that things can get only better after an atrocious first half of the year

Shoe production droppped by 20% in the first five months of the year, compared with the same period last year, according to Footwear Manufacturers' Association statistics Aggravated by strikes, the decline reached 23% in May FM 10/8/90

However, this wasn't just a reflection of a fall in demand Retailers reduced stocks to the point where some stores now offer only a limited choice The question has shifted from whether manufacturers can find orders to whether the industry can meet demand.

Cuthberts MD Rudie Rudolph says "We reduced our stocks from November onwards and, in particular, from January to March However, we had buoyant sales from April to June so we desperately need additional stock

FM 10/8/90

"But, because of strikes that have hit most manufacturers, we won't get the shoes we need in August and September unless the factories can work overtime to meet our demands " (187)

Amshoe's Roy Eckstein says that after poor sales up until May, his order books now are full until the end of November His factories, which produce 40 000 shoes a day, are working overtime and all day Saturdays to meet demand

Rudolph says importing a substantial portion of the industry's needs soon will be attractive

This would be alarming since shoe imports are almost unheard of in the middle market Cuthberts serves At this stage virtually all shoe imports are at the top of the range because the quantities the market requires don't justify local production

For the moment, however, retailers are taking a more co-operative attitude towards manufacturers to save the industry from the shambles in which it's found itself

(187) FM 10/8/90

Says Gareth Davies, of Edgars, now the country's largest shoe retailer "We're working with manufacturers to solve the problems of late deliveries and inefficiencies We're committed to supporting the local industry and import only to increase choice at the very top of the range "

The National Productivity Institute's Andy Bax is co-ordinating this exercise He says true marketing skills are rare in manufacturing and accuses it of "an investment-shy, non-progressive outlook "

Conshu's Robert Feinblum says manufacturers have a few problems with volume runs but a lot more with smaller runs

SA, he says, has 90 shoe factories producing runs that wouldn't be considered viable in other countries

"The consumer has a vast selection and is very spoilt here Maybe we should accept that some of these short runs should be replaced by imports "

If that happens, some factories are likely to go to the wall ■

# Conshu's turnover jumps 27%

187

ACHMED KARIEM

CONSHU, SA's leading footwear manufacturer, has reported a 27% increase in turnover to R531,9m (R420,2m) for the year to end-June despite depressed trading conditions and prolonged stayaways.

However, bottom-line growth suffered because of higher finance charges

Income attributable to ordinary shareholders rose 14,3% to R27,1m (R23,7m)

Earnings a share increased 3,16% from 56,8c to 58,6c on an increased number of shares, issued in part payment for the acquisition of Jordan and to create a share trust A final dividend of 14c (13,5c) was declared, lifting the total pay-out 9% to 24,5c (22,5c) B Day 27/8/90

The group manufactures a full range of footwear and rubber mouldings

Conshu's interest bill soared 149% to R10,3m (R4,1m) as a result of the acquisition of Jordan and Phoenix.

CE Robert Feinblum said the results disclosed destocking by retailers, narrower margins and labour unrest.

"The effect of the disruptions to production can be seen from the fact that for the first five months of 1990 national footwear production was 19% below that of last year" The men's and youth's footwear factories in Maritzburg were worst affected, and production there was about 23% below that of a year ago.

However, Conshu's balance sheet was healthier than at the half-year, and directors had focused on careful asset management.

Feinblum predicted difficult trading conditions in the year ahead, with business confidence and consumer demand at low levels

CAPE TIMES 29/8/90

# Slight rise in Conshu earnings

(187)

**Own Correspondent**

JOHANNESBURG — Leading footwear manufacturer, Conshu, has reported a 27% increase in turnover to R531,9m (R420,2m) for the year to end-June in spite of depressed trading conditions and prolonged stayaways

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Feinblum predicted difficult trading conditions in the year ahead, with business confidence and consumer demand at low levels

# Stoppages hit footwear firms

Bus Day 10/9/90

ACHMED KARIEM

187

SA FOOTWEAR production has suffered its worst drop in the past 40 years, Footwear Manufacturers' Federation of SA (FMF) director Dennis Linde said at the weekend

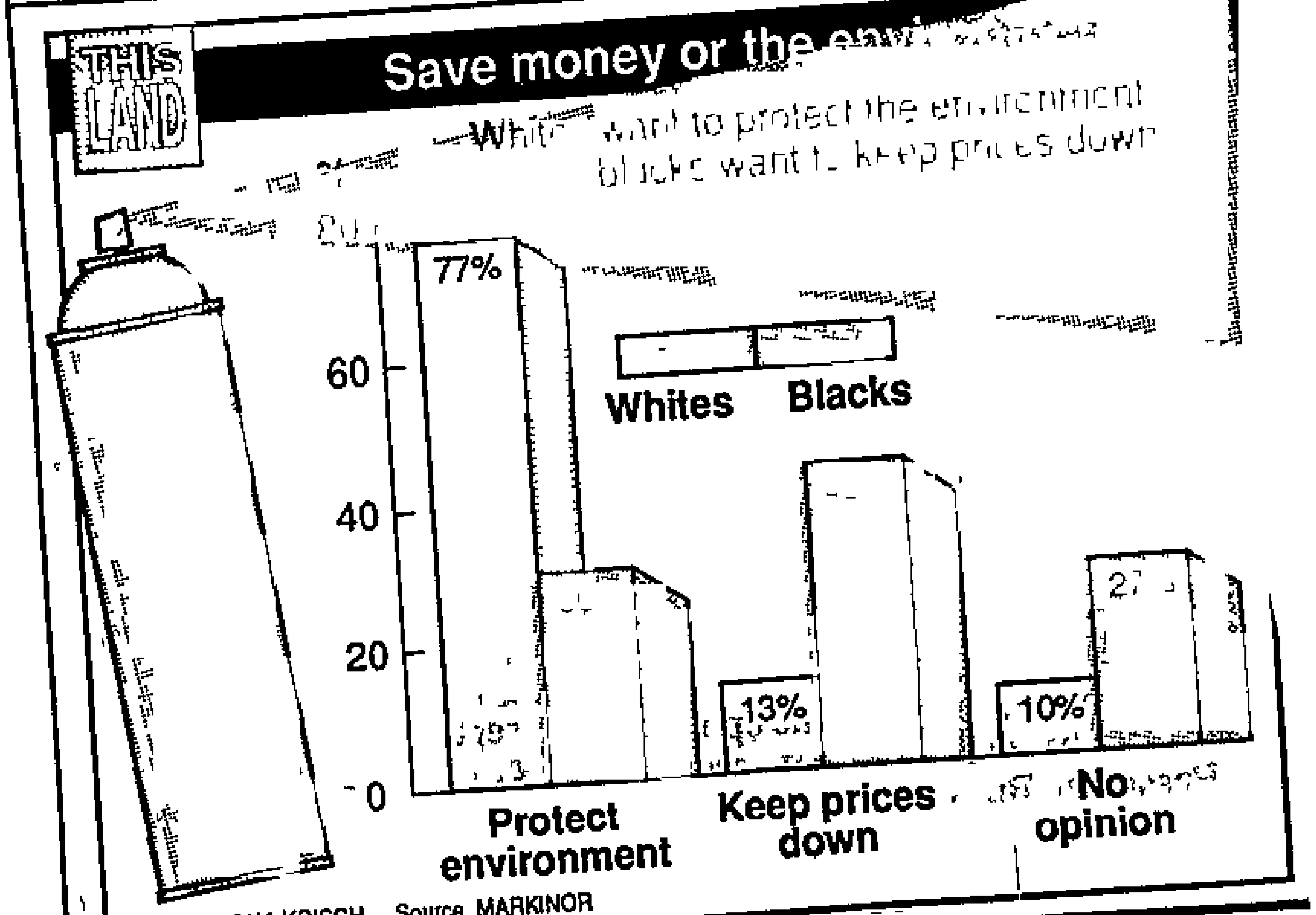
Production deteriorated sharply by 26,5% in the second quarter of 1990 compared with the same period last year, bringing the half-year production down to 23,6-million pairs from 30-million pairs, a decline of 21,3%. The first quarter dropped by 15,6%.

Linde said work stoppages during the latter half of the second quarter intensified the problem of destocking by retailers which occurred between January and June

Industrial action in July, before conclusion of annual wage negotiations, would have a negative effect on third quarter production figures

"Very disturbing is that long established manufacturing concerns are having second thoughts on continuing in business with threats of continual trade union disruption," he said.

In the past three years the labour intensive industry had conceded over 60% in increased wages and benefits, and could not continue along this path without becoming uncompetitive,




Graphic FIONA KRISCH Source MARKINOR

# Potential for sport shoes

B.10 ... 13/9/90

ACHMED KARIEM

Carter & Coyle 2025

THE sports footwear industry had tremendous potential for growth in the new SA, Adidas SA sales director Tony O'Hagan said in an this week

Sales had increased by 40% for the first eight months of 1990 compared with 1989 This contrasted with the 21,3% half yearly decline in production to 30-million pairs (23,6-million) for the footwear industry compared with 1989, he said (187)

"More opportunities to play sports are being created for sports loving SA," he said

O'Hagan said Adidas had the major market share in SA and its main competitors were Nike, Puma, Hi-Tech, Patrick and Tiger.

Adidas, which had been in SA for more than 20 years, had one main supplier and also sourced footwear from other factories.

Its range included Adidas — worn by Steffi Graf and Stefan Edberg — Le Coq and Pony He said it was difficult to quantify how much the market was worth because there were a lot of no-name brands. The company spent more than R1m on promotional activity in SA

# Homemakers lifts earnings

UXZ ST 17/9/90

Despite difficult trading conditions, Homemakers notched up a 13 percent increase in attributable profits for the six months to June

Shareholders' slice was R14,910 million, compared with the R13,234 million recorded in the same period last year

Earnings per share were up by 13 percent at 40,1c (35,6c)

However, the interim dividend remains unchanged at 11,5c a share

An extraordinary loss of R2,75 million was incurred in the period, due mainly to the cost of discontinuing the Edworks fashion boutiques in order to concentrate on the manufacture and retailing of shoes

The assimilation and turnaround operation at Edworks had an impact on the figures, with operating margins down from 12,2 percent to 11,5 percent and interest paid rising from R11,1 million to R21 million

The effective tax rate dropped from 30,8 percent to 21,2 percent

Although trading conditions are expected to remain intensely competitive, the group expects satisfactory growth for the year to December 1990

Homemakers' listing was suspended on September 10, with the group saying discussions now under way are reaching finality

A statement on the matter and re-listing can be expected shortly — Sapa.

# Conshu sees some trying times ahead

Star 17/9/90

(187)

By Derek Tommey

Continuing high interest rates and pressure on operating margins are expected to limit the improvement in the earnings of Conshu, the country's biggest shoe manufacturer, in the year to June 1991, says chairman AS du Plessis.

In the year just ended Conshu's turnover grew by 26,6 percent to R532 million.

Earnings attributable to ordinary shareholders rose by 14 prcent to R27 million — equal to 58,6c (56,8c) a share

Dividends paid totalled 24,5c (22,5c) a share.

Mr du Plessis says that if the Board of Trade and Industry's proposals for footwear exports, due to be published shortly, lead to an increase in the level of footwear imports, there will be a severe cutback in employment and a possible escalation of factory closures.

Mr du Plessis says it is essential that the industry remain viable to meet South Africa's needs and, at the same time, contribute to the essential creation of employment

# Conshu is well placed — chairman

Bday 18/9/90

ACHMED KARIEM

FOOTWEAR manufacturer Conshu Holdings is well placed to take advantage of opportunities on the longer-term local and export fronts, says chairman Attie du Plessis in the annual report.

In the year to end-June, Conshu posted a 14% increase in taxed profits to R27,1m (R23,7m), he said

But it would be difficult to predict the group's future prospects because of the volatile socio-political climate

"Continuing high interest rates and pressure on operating margins are expected to limit improvement in earnings for the year to end-June 1991"

Du Plessis said exports remained a future challenge and Conshu was awaiting recommendations from the Board of Trade & Industry

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These were expected any day

"Should the Board of Trade proposals have the effect of increasing the level of footwear imports into SA, there is no doubt there will be a severe cutback in employment, as well as a possible escalation of factory closures," he said

It was crucial that the industry remained viable to meet demands as well as to contribute to job creation

LENCO

# A FRONT-RUNNER'S RECORD

(187)
FM 12/10/90

## THIS BULL MARKET LISTING HAS GROWN FAST AND HELD FIRMLY TOGETHER

**Many high-growth** companies were spawned during the bull market of the late Eighties Quite a number of them — along with the entrepreneurs who brought them to the market — are no longer around One group that has mushroomed and appears still to be in solid shape is Lenco. It was largely built up by CE Geoff de Jager

Turnover has climbed from just R1,3m in 1986 to more than R280m in the year to end-February 1990, while EPS grew from 4c to 45,3c and net worth per share from 36,4c to 147c. Earlier this year the group attracted attention when Rembrandt bought an effective 50% interest for R15,9m — with Remgro's heir apparent, Johann Rupert, making enthusiastic comments about entrepreneurial talents

Remgro's investment perhaps gave a greater stamp of respectability to the organisation It would not be surprising to encounter scepticism among investors about any business that has grown so swiftly — as FSI's Jeff Liebesman would attest.

The De Jager family has been involved with the group for some years. Geoff de Jager's father, Douglas, remains chairman; and Geoff's brother, Douglas, is also a board member So, too, are a number of other associates who have boardroom relationships elsewhere — such as Pepkor's Christo Wiese, Rand Merchant Bank (RMB) chairman "G T" Ferreira and RMB directors Jan Kitshoff and Reg Sherrell

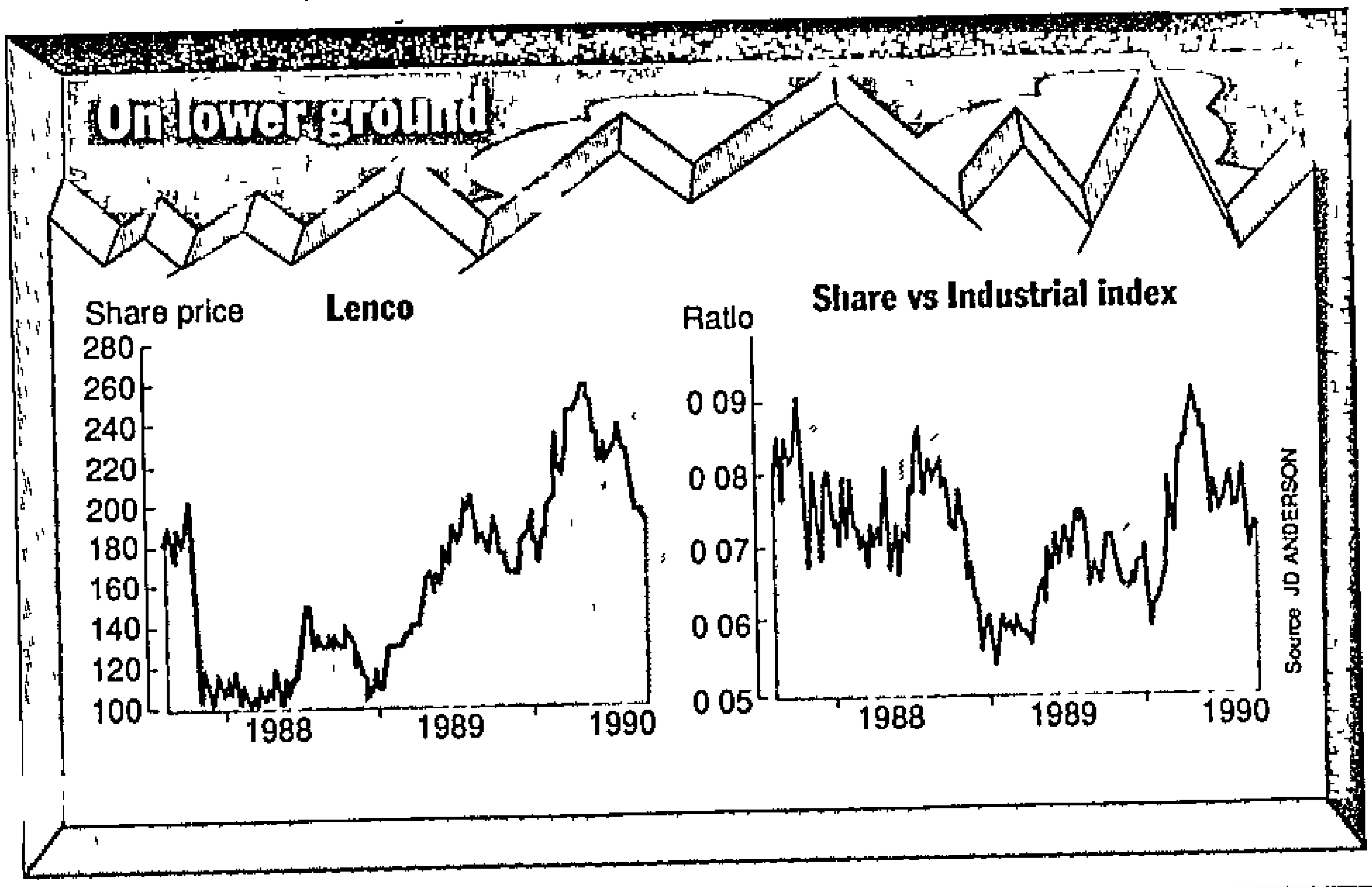
Most have been on the board since 1987 when Lenco took off Until then, it was known in the eastern Cape as a small, successful business in the automotive industry In that year Lenco Holdings was listed on the JSE — though even before then the change had started

The name Lenco has its roots in the Oudtshoorn soil where the De Jager family was based until the twin brothers, Douglas and Geoffrey, completed their schooling at Kingswood college in Grahamstown While Geoff studied law, Doug took over the family business and expanded it to Port Elizabeth, before selling it when he decided to study for an MBA at the University of Cape Town After qualifying in 1982, he joined plastics converter Xactics in Cape Town as GM of the rigid plastics division

Gencor's Kohler Packaging bought control of Xactics in 1983, by 1985 De Jager had become a main board director of Kohler He then decided to buy Elvinco Plastics from Pepkor, which had rescued Elvinco from insolvency two years earlier, and go into business on his own account

Under De Jager's guidance Elvinco went from strength to strength In early 1987 he bought the Romanda Investment Holdings cash shell, moulded Elvinco into it, and changed the name to Lenco Holdings Also in that year, reasoning that today's shoes use a lot of plastic, he persuaded Wiese to part with Pepkor subsidiary Budget Footwear for R12,5m Wiese agreed, provided De Jager also bought an unprofitable clothing manufacturer, Monatic

In 1988 De Jager merged Budget Footwear with Jaguar Holdings, under the name of Amalgamated Shoes (Amshoe). Amshoe makes footwear for adults and children of both sexes, in the middle to



FM 12/10/90

(187)

100c in December 1988 to 270c in May this year Since then it has retreated by 28%, to 195c If EPS are no more than the forecast 50c for 1991, this would place the share on a 3,9 p.e If cover remains at five, the dividend is likely to be 10c, yielding a prospective 5,1%, compared with the average 8,1% for the sector

In Amshoe's 1991 year, it is unlikely that EPS will exceed 30c, which would be a drop of 11% from the 33,5c earned in 1990 At 130c, Amshoe offers a prospective p e of 4,3 Because the balance sheet shows little debt, it is probable the dividend will remain at 9c a share, yielding 6,9%

Monatic's productivity is expected to show a healthy improvement But tax breaks have mostly been used. Even with export allowances, EPS are not expected to be materially different from the 21,5c earned in the last 1990 year. At 70c, the share offers a p·e of 3,3 and yields 7,1%

Compac, a new listing on the JSE, has had labour problems; but there will be rationalisation in the group, and because of assessed losses in Alfa Manufacturing, little tax should be payable in the next few years Turnover is forecast at about R160m, with the margin exceeding 10%, indicating attributable profit of roughly R16m for 1991 This translates into prospective EPS of 14c

It would be unrealistic to expect Lenco's growth of the past five years to continue unabated However, if track records mean anything, De Jager's performance in buying ailing and unsuccessful companies and turning them into profitable operations suggests things can be kept on track

Is Lenco vulnerable because its management is a one-man band? That remains to be seen De Jager contends there is quality, autonomous management in each company controlled by the group But there is no

FM 12/1(

gainsaying that he has been substantially responsible for taking the group where it stands today

The real challenge for De Jager lies in adding value — turning around unprofitable situations

But there does come a point when, after the enterprise has been lifted to profitability from a small base, no more than well-managed, normal growth can be achieved. Once that point has been reached in a Lenco sub-

190 (187)

sidiary, that may be the time when De Jager will sell the company and realise the gains for shareholders

As long as the opportunity to add value is there, De Jager will buy or hold When he sells, it will mean he believes the opportunity for dynamic growth no longer exists. Investors in Lenco or its subsidiaries who have confidence that he can maintain his track record should behave similarly

*Gerald Hirshon*

# Amshoe treads a happy trail

B/Day 12/10/90

ACHMED KARIEM

AMALGAMATED Shoes' (Amshoe) sales have held up well at the interim stage despite a national production decline of 20% on the previous year.

Earnings a share dropped by 9,03% to 16,1c (17,7c) — based on a slight increase the number of shares in issue.

In an interview yesterday, CE Roy Eckstein said turnover to the end of August remained virtually unchanged at R105,1m due to slackening demand, labour unrest and general economic problems. (187)

He said R10m in sales were lost as a result of a strike and a 5%-10% drop in orders in the first half of the year.

A lower operating profit at R15,9m (R17m) and a 17,3% rise in finance costs resulted in pre-tax profits of R13,5m (R14,9m).

Taxed profits decreased marginally to R9,33m from R10,2m after accounting for a tax bill of R4,14m (R4,70m).

Eckstein said Amshoe was struggling to fill orders because retailers had destocked too much. The group was looking forward to satisfactory results for the year as factories were fully booked until Christmas.

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# Conshu braving adverse trends

187

Business Day Reporter

CONSHU Holdings, SA's leading footwear manufacturer, is finding conditions difficult but still expects to achieve higher earnings in fiscal 1991.

Conshu chairman Attie du Plessis said in a statement after yesterday's AGM that although the economy continued to decline, demand from footwear retailers for Conshu products was extremely buoyant and factories had settled down to a normal production pattern.

BDay 17/10/90

"The current socio-political uncertainty coupled with the deteriorating economic conditions are not conducive to strong consumer demand. Retail statistics show that consumer demand is sharply lower than a year ago, however our sales are holding up very well as the destocking which took place earlier has eased."

In the past financial year Conshu recorded earnings of 58,6c a share and paid out a dividend of 24,5c a share.

# Boymans brakes Amrel earnings

STAR 21/11/90 (187)

By Ann Crotty

A disappointing contribution from equity-accounted associates (mainly Boymans) helped reduce the 23 percent rise in Amrel's taxed profit to an increase in earnings of four percent — up from 81c to 84c a share

An interim dividend of 28c (27c) has been declared

A strong performance in the furniture division lifted group sales by 22 percent to R476,6 million (R390,2 million).

Furniture sales accounted for 63 percent (60 percent) of group sales and 69 percent (60 percent) of attributable earnings

The problems at Boymans reduced footwear and apparel's contribution to turnover to 32 (34) percent. Its contribution to earnings dropped to 22 (29) percent.

Operating margins were up to 3,35 percent (3,16 percent), reflecting the benefits of higher finance income on credit sales in the furniture division

There was a 36,5 percent rise in tax, which meant taxed profit was up 23,3 percent to R8 million (R6,5 million)

Earnings from associates were down to R239 000 (R900 000). Minority shareholders took R555 000 (there were none in the previous interim)

Attributable earnings were R7,7 million (R7,4 million.

MD Stan Berger says with Boymans showing signs of a turnaround, there could be a modest improvement in the second half

MANUF. — Footwear
1991—
1992

# Conshu expects earnings rise

B/Day 18/2/91

MARIETTE DU PLESSIS

LEADING footwear manufacturer Conshu Holdings expects an improvement in earnings for the first half of financial 1991, despite difficult trading conditions, CE Robert Feinblum said on Friday

"Conshu is holding up well, and although sales could have been better, a reasonable number of orders have been received and all the divisions are performing according to expectations," he said

Feinblum said no new product lines or factories were planned for the near future, since the market needed to be "carefully analysed before any new developments could be undertaken"

He was cautiously optimistic about the current year and added that in view of the economic climate, acquisitions or expansions would have to be carefully considered

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## Strikes

Feinblum said he hoped that wage negotiations in April would reflect an improved relationship between management and employees

This, in turn, would result in improved turnover

Strikes and unrest at Conshu's factories had resulted in lost production of 100 000 pairs of shoes — worth about R15m in turnover — in the year to end-June

Despite this, the group had raised turnover by 26,6% to R531,9m in financial 1990

Exports during the last six months were nearly 100% more than in the corresponding period last year

Expectations were that export turnover could rise to 2% of the total

Conshu exported mainly to Europe and Britain

However, Feinblum expected that the US would become a distinct possibility as an export market if sanctions were lifted.

He said the group needed exposure to overseas markets and was focusing on an attractive segment — men's welted footwear — in which it had special skills.

The share traded at 390c on Friday, up from its 315c low in September last year

CONSHU FM 28/8/92 (187)

## Being forced to adapt

**Conshu is** not unlike other companies which, until six months ago, had escaped the ravages of the recession The sharp decline in consumer spending in the first half of the year has been such that even SA's largest footwear manufacturer could not evade it

Though turnover remained unchanged in the year to end-June 1992 on year-ago levels at R620,8m, this was achieved at the expense of margins being squeezed from 11,4% to

FM 28/8/92 (187)

8,9% Group CE Robert Feinblum says pressure on margins came from a number of sources, including closure of two factories, retrenchment costs, doubling of depreciation in footwear divisions from 10% to 20% a year on a straight line basis and the cost of setting up overseas operations

Operating income fell 22,8% to R54,8m (R80m) Pre-tax profit was down 30% to R40,4m and, despite the halving of tax paid, EPS dropped 20,3% to 53,1c and the total dividend was cut to 24,5c (28c)

Interest-bearing debt jumped from the year-ago R39,6m to R63,5m Though Feinblum says gearing remained at an acceptable 40% (28%), finance charges for 1992 stood at R14,4m, giving an average interest rate for the year of 22% It seems debt rose

### WEARING DOWN

| Year to June 30 | 1991 | 1992 |
|---|---|---|
| Turnover (Rm) | 622 | 621 |
| Operating income (Rm) | 71 | 55 |
| Attributable (Rm) | 31 | 25 |
| Earnings (c) | 66,6 | 53,1 |
| Dividends (c) | 28,0 | 24,5 |

sharply in the latter half of the year, in which case a sizeable increase in the interest bill may show in the interim results

Competition from Far East manufacturers has been cited as a further cause for the disappointing results

Though the group's products are positioned in the middle and upper market, consumers have downgraded their choices and the group has had to adapt This has affected volumes and profits

Feinblum says in this respect the group has been successful, doubling its volumes to EC countries Though prospects here are encouraging, the contribution to total earnings remains relatively small

The share, at R3,50, is perhaps on the expensive side but the company is financially sound and the shares are thinly traded Its performance of late is due to its cyclical nature, but it is well positioned for an upturn in consumer spending *Marylou Greig*

# Ailing footwear industry turning to foreign fields

STAR 16/9/92 (187)

By Stephen Cranston

The worsening recessionary and socio-political conditions of the past year, coupled with increased low-cost imports from the Far East, resulted in footwear production in South Africa falling by 20 percemt in real terms, says Conshu chairman Laurie van der Watt

Writing in the annual report for the year to June, Mr van der Watt says Conshu did well to keep turnover at last year's level and to hold the earnings decline to 20 percent

Conshu CE Robert Feinblum says the local industry has responded to the downturn — which totals 32 percent since 1988 — by seeking export opportunities abroad.

Conshu launched its export range under the Sterling & Hunt label at the Birmingham Shoe Fair in October and received orders for 70 000 pairs of welted footwear and opened 300 retail accounts in the six months after the fair.

Mr Feinblum says that exports were aided by tax allowances enabling the products to be marketed aggressively

He says the ending of the Section 11 bis marketing allowance will reduce the group's competitive advantage

GEIS allowances are not sufficient to maintain an aggressive marketing strategy in these markets.

He criticises the establishment of am export-processing zone, as this could have a detrimental effect on established industry —

He argues that far more cost-effective support could be provided by granting accelerated depreciation, cash incentives and lower rates of tax to bona fide exporters

Mr Feinblum says the proportion of value going to employees has increased from 66 percent to 72 percent. He says the group will be unable to increase remuneration to employees without a major increase in productivity on all fronts.

Conshu closed its Millana ladies' division based in Port Elizabeth as it was no longer viable due to declining domestic demand for ladies' synthetic footwear and the severe competition from importers and smaller producers

Local production of canvas shoes reached such a low level that production was discontinued by Jack & Jill

Dick Whittington, which manufactures Goodyear welted footwear, suffered from cutbacks in government orders, together with the lowest demand for many years in the traditional markets, which caused production to be restricted to an average 2 400 pairs a day, against a budgeted 2 500

The industrial footwear division, United Fram, acquired the Kite-mark which qualifies it as a recommended supplier to the UK

The first British orders are expected soon Opportunities have opened in Australia

A new range of products has been developed for the German market

# Aggressive Conshu goes on export drive

BIDAY 22/10/92 (187)

DUMA GQUBULE

CONSHU Holdings, the country's leading footwear manufacturer, had embarked on an aggressive drive to generate annual export sales worth R100m within the next 18 months, financial director Charles Rapp said this week

Exports had doubled every year over the past four years and their contribution to turnover would increase to 15% (from the present 8%) within the next 18 months, he said.

Conshu's recently launched Sterling & Hunt subsidiary (the group's UK-based export arm) would be the base for future export activities. There was already tremendous interest in the group's products overseas and awareness of its brands had increased

Rapp bemoaned Conshu's low rating on the stock market. Its share price, at 250c, was only 4,7 times earnings, compared with a sector average of 5,5 times This was unjustified as Conshu's prospects were better than those of many companies in the sector.

Turnover for the six-month period to end-December would, he forecast, increase by 1,6% to R335m (R330m) Earnings before interest and tax would slide 16% to R27m (R32m).

The tax rate would come down because of export allowances which, with lower interest payments, would result in only a 9% drop in earnings to 27c (30,1c) a share Borrowings would decrease to R58m from R63m and gearing to 32% from 40%, he said.

Conshu reported a 20% drop in earnings to R25m on an unchanged turnover of R620m for the year to end-June

CONSHU FM 25/9/92

## A harder slog

(187)

**Activities:** *Manufactures and distributes general footwear and rubber and plastic products*
**Control:** *SA Breweries and Sankorp jointly own 61,5%*
**Chairman:** *L van der Watt, CE R M Feinblum*
**Capital structure:** *46m ords Market capitalisation R133m*
**Share market:** *Price 285c Yields 8,6% on dividend, 18,6% on earnings, p e ratio, 5,4, cover, 2,2 12-month high, 610c, low, 300c Trading volume last quarter, 19 334 shares*

| Year to June 30 | '89 | '90 | '91 | '92 |
|---|---|---|---|---|
| ST debt (Rm) | 3,7 | 10,5 | 3,7 | 50,6 |
| LT debt (Rm) | 14,8 | 21 5 | 35,9 | 12,9 |
| Debt equity ratio | n/a | 0,27 | 0 28 | 0 42 |
| Shareholders interest | 0,44 | 0,47 | 0,46 | 0 46 |
| Int & leasing cover | 9 9 | 5 6 | 5,2 | 3,8 |
| Return on cap (%) | 25,4 | 23 9 | 23,6 | 16,5 |
| Turnover (Rm) | 420 | 532 | 622 | 621 |
| Pre-int profit (Rm) | 48 8 | 60 7 | 71,1 | 54,8 |
| Pre-int margin (%) | 11,6 | 11 4 | 11 4 | 8 8 |
| Earnings (c) | 56 8 | 58,6 | 66,6 | 53,1 |
| Dividends (c) | 22,5 | 24,5 | 28,0 | 24,5 |
| Net worth (c) | 199 | 232 | 273 | 305 |

**Financial 1992** was the first year since the listing in 1987 that SA's largest footwear maker and distributor reported a dip in earnings — and then partly because of its restructuring and repositioning to enable it to take advantage of an economic upturn

Operating income declined 23% to R54,8m (R80m) and pre-tax profit fell 30%, stemmed by the halving of tax paid Pressure on margins increased

While turnover was static, the balance sheet shows sharp increases in stocks and debtors and a stretching of creditors, net working capital continued to increase Financial director Charles Rapp cites various factors influencing these figures

With the squeeze on consumer spending tightening, production was downgraded from top-of-the-range footwear to meet increased demand for middle market shoes Also, the successful launch of the UK-based Sterling & Hunt required a buildup of stocks offshore Rapp says the group invested about R3m in stocks and debtors, which is recoverable only when the offshore operation starts to generate income

Another development that hampered the

FM 25/9/92 (187)

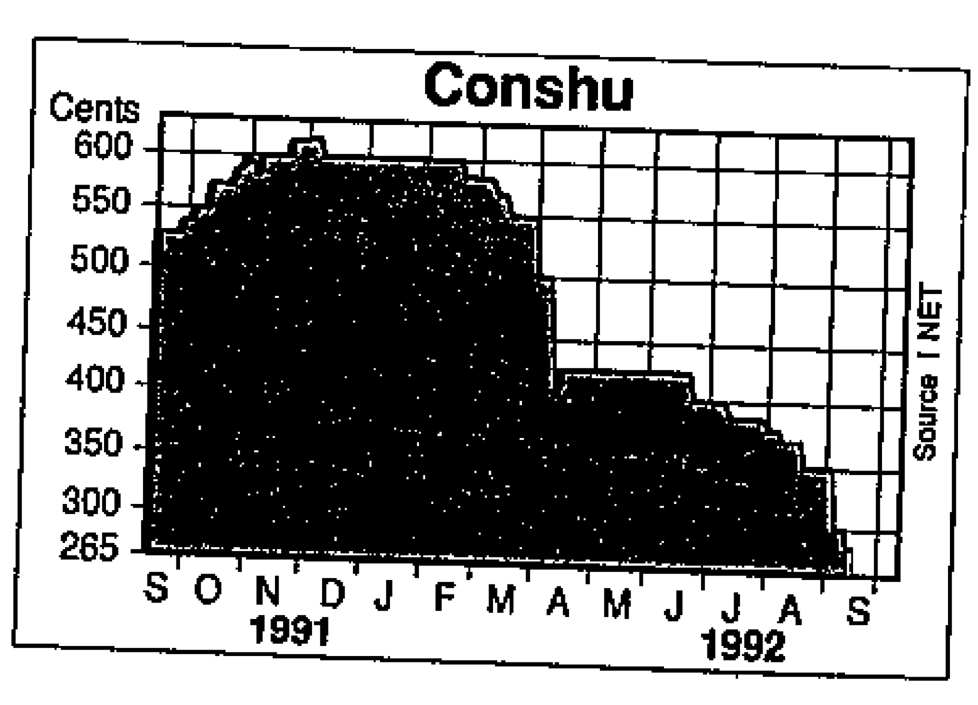
performance was the introduction of VAT Previously exempt from GST, Conshu has R6m in its debtors book reflecting VAT payments The acquisition of Wayne Rubber Western Cape, intended to diversify risk and widen the customer base, did not boost group turnover as much as was hoped Rapp says benefits of the acquisition are only now being felt

Costs of the plant closures of Phoenix and Millana were absorbed above the line, about R2m related to the closure of Millana, though working capital has been transferred to Olympic, the group's specialist women's shoe manufacturer

Capex was slashed 52%, to R12,2m, after rationalisation and cost-cutting Year-end debt jumped almost two-thirds, to R63,5m, but Rapp contends this is misleading Even so, while borrowings are now lower, after a substantial capital outflow in the second half of the 1992 year, about 90% (in real terms) of the debt is still outstanding

The shift in the debt structure from long- to short-term financing is purely a response to declining interest rates, says Rapp Should the company continue to explore export opportunities, the use of IDC loans will result in a swing towards long-term financing

Advantage was taken of the *Section 11 bis* marketing allowance to launch Sterling & Hunt, the group's UK-based export arm, in a niche market last year This allowed for a double tax deduction that is not reflected in operating margins but will come through on payment of tax Discontinuing this is problematic, says Rapp, as the cost will have to be built into the price which, at 2%, may not be enough to maintain market share




**Conshu's Van der Watt** *difficult to increase earnings*

FM 25/9/92 (187)

No acquisitions are planned, though Conshu remains on the lookout for synergies for subsidiary Wayne Conshu is looking to the export market for growth in the footwear industry and Rapp believes it is well positioned to take advantage of an upturn

Chairman Laurie van der Watt says consumer spending is not expected to strengthen this year and so trading conditions should remain depressed He forecasts that Conshu will find it difficult to increase earnings, though — like many chairmen recently — he adds it is well placed to take advantage of any improvement in the economy

The share is thinly traded and this may partly account for its disappointing performance over the past six months While returns are not expected to outperform the market, the share has upward potential, particularly when there are signs of recovery in the mood of consumers

*Marylou Greig*

BDay 22/2/91. 187

# Conshu lives up to its forecast

MARIETTE DU PLESSIS

LEADING footwear manufacturer Conshu Holdings has met its earnings forecast, posting a 10% rise in attributable earnings in the six months to end-December 1990 despite slow sales and higher finance costs

The bottom-line profit of the group, which achieved a 10,9% rise in turnover to R317,2m (R286m), benefited from a lower payment to minorities.

CE Robert Feinblum said in a statement yesterday the slow sales were due to socio-political events which arose in the early part of the financial year

Although operating margins fell slightly to 11,3% (11,6%), Feinblum said the 7,5% increase in operating income to R35,8m (R33,3m) reflected management's strict adherence to financial discipline and asset management

The 10% increase in attributable earnings to R15,3m (R13,9m) translated into a 9,6% rise in earnings a share to 33c (30,1c)

Although borrowings were "well-managed" and gearing remained steady, finance costs rose by 20,7% due to higher interest rates, he said

He added that while this had the effect of slowing the rate of increase in Conshu's pre-tax profit, which rose 5,2% to R30,2m (R28,7m), a considerably lower deduction for minorities meant that attributable profit was ahead of 1989's interim results

A higher interim dividend of 11,5c (10,5c) a share has been declared.

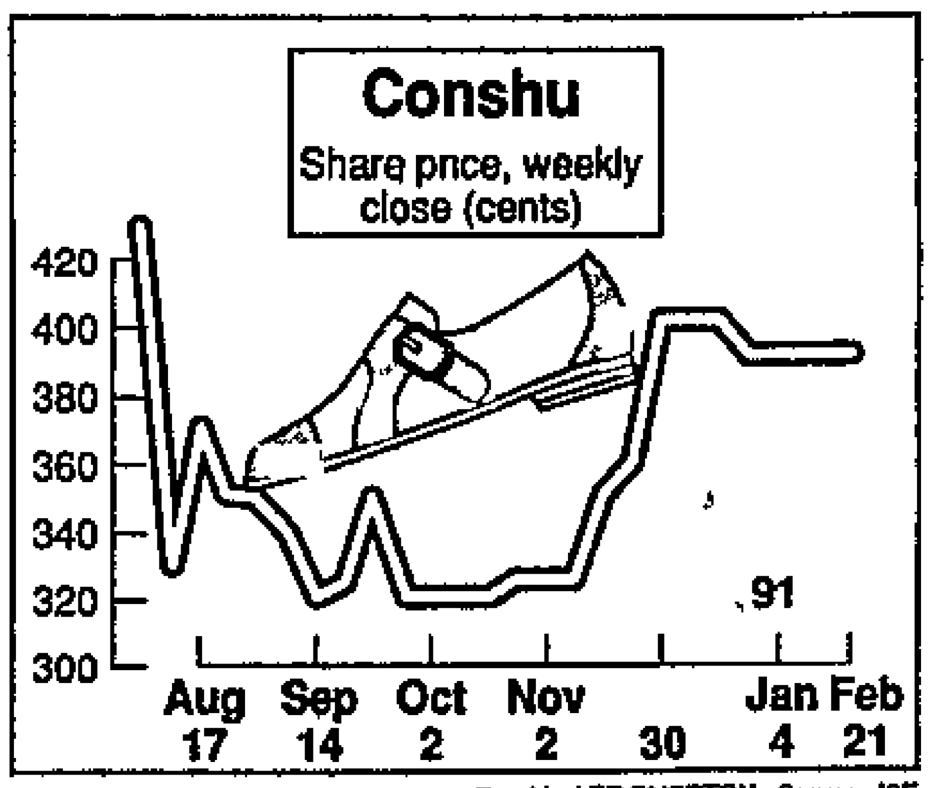
Feinblum said Conshu's winter footwear range was well-received in the market place and the group was well-placed for the year ahead

"The order position for the company's products remains satisfactory and management expects that, provided no disruption to production facilities occurs, Conshu should achieve improved earnings during this six-month period," he said

Feinblum also expected exports, which were nearly 100% higher than in the corresponding period last year, to rise to 2% of total turnover

Conshu's interim results followed that of its listed subsidiary Wayne Manufacturing, which reported a substantial 26,5% rise in attributable earnings to R3,29m (R2,6m) yesterday.

Wayne benefited from the merger of Wayne Rubber with Phoenix last year and the subsequent rationalisation which had refocussed the group on its core business.




Graphic: LEE EMERTON Source JSE

# Polished performance from Conshu

22/2/91

187

By Jabulani Sikhakhane

Despite socio-political events and labour unrest in the early part of the financial year which slowed down sales, Conshu managed to post a 10,9 percent growth in turnover for the six months ending December.

Earnings were up 9,6 percent to 33c from 30,1c per share and an interim dividend of 11,5c (10,5) has been declared

Turnover was higher at R317,219 million (R286,120 million) But operating margins were under pressure falling slightly from 11,6 percent to 11,2 percent and this translated into seven percent growth in operating income of R35,785 million (R33,329 million).

After providing for a slightly higher tax rate of 48,1 percent (47,8 percent) and minority interest, attributable income was up 10 percent to R15,276 million from R13,871 million.

The directors say that provided nothing disrupts production Conshu should achieve improved earnings for the full year. Conshu's order book remain satisfactory, directors say.

Chief executive, Robert Feinblum says Conshu's winter footwear collections were well received in the market.

# Distributors run into trouble over Nike ban

MARC HASENFUSS

187

SANCTIONS have caught SA athletes on the wrong foot

Nike running shoes will no longer be available locally after parent company Nike International recently discovered its shoes were being secretly distributed throughout SA

Distressed runners who heard of the ban last week began stocking up with Nikes — in some cases five pairs — despite the fact that there is a wide choice of running shoe brands on the SA market.

Nike's average retail price is between R260 and R500 and the shoes have a strong secondary market among fashion buyers

When economic sanctions intensified over two years ago Nike warned local agent Ajay-Sports, the franchisee for the southern African region, not to distribute Nike products in SA

A spokesman for Ajay-Sports said because Nike sales represented a huge slice of turnover, they simply adopted a low profile by not advertising their sponsorships, and continued distribution

Ironically when SA seems set to clear the last hurdle of sanctions, the parent company got wind of unauthorised sales and told Ajay-Sports two weeks ago to stop local distribution immediately

The spokesman said although distribution to other southern African countries was still permissible, SA was by far the most lucrative market

Nike has more than a 50% share in the running market in SA

It was better to comply with the parent company's demands in view of the strong possibility of sanctions being lifted by the end of the year, the spokesman said

B/Day 18/3/91

# Edworks pegs hopes on major changes

B I D ay 18/4/91

MARCIA KLEIN

187

FSI subsidiary Edworks is undergoing major changes to turn its losses at the December year-end into profits

During the past two months the company introduced a "hands on management team" and cut back on certain service divisions, resulting in about 60 retrenchments

Edworks, which covers Pick-a-Pair, Marcello and Koko stores, incurred a trading loss of R11,4m in the year to end-December

CE Hilton Nowitz said in an interview yesterday that Edworks' rate of progress had not been as fast as anticipated since it was bought by FSI following its provisional liquidaton in June 1989 The company had not expanded since then — it remained with 270 stores — and its progress had been limited

Although 60 people were retrenched, Nowitz said this had no implication for the stores or for the company's 1 400 workers Retrenchments resulted mainly from the closure of head office departments, including property, marketing and printing

Nowitz said the group's strength lay in the location of its stores, and with the long-term aim of expanding the business, new stores would open during the next few years

A major problem with previous management was a lack of footwear expertise and a lack of knowledge of what was going on at lower levels However, Nowitz said Edworks' problems were inherent in the business

Edworks had reassessed all the areas which needed to be addressed, including market identity, margins, overheads, and particularly, the lack of systems

Nowitz said the company was in a strong position in terms of future growth because of its new management team, backing and sound locations, and he expected a significant turnaround

He said that FSI had made a commitment in terms of employing top management to help improve profits and "get back to basics"

# Amshoe treads carefully in tough times

B Day 6/6/91 (187)

ROBERT GENTLE

AMALGAMATED Shoe (Amshoe) has ended a difficult trading year with sharp decreases in operating income, net income and earnings per share

The shoe manufacturer has factories in Durban, Maritzburg, Ladysmith, QwaQwa and Lesotho

Directors attributed the poor operational performance, which saw sales rise a bare 5% to R219m (R208m previously), to difficult market conditions, violence and labour problems during the first half

Pressure on margins also increased Operating margins fell from 15,3% to 12,5% High real interest rates added R648 000 to the interest bill, which stood at R5,32m (R4,67m) The net effect was a fall of 17,5% in net taxed earnings to R15,9m (R19,3m) Earnings per share fell 18% to 27,4c (33,5c)

However, the dividened was maintained at 9c

The balance sheet remained fairly liquid, with current assets of R85,7m comfortably exceeding current liabilities of R43,8m Long-term interest-bearing debt was down slightly at R6,53m (R7,48m)

"Indications are that results will show a positive improvement in the new year," the directors said

# Production of shoes dips (187)

SEAN VAN ZYL

LOCAL footwear industry production fell by 12% during 1990, compared with a 2,4% growth the previous year, said the Footwear Manufacturers' Federation of SA in its 1990/91 annual review BDay 20/6/91

The contraction in local production was well below the 0,9% drop in GDP in 1990 In addition, there was a 7,9% climb in footwear imports last year

The footwear federation noted that 1990's total footwear produced amounted to 54,28-million pairs compared with 61,71-million pairs in 1989

Employment in the footwear manufacturing sector dropped marginally to 26 332 in 1990 from an average of 27 535 the previous year

The federation noted that the drop was far less severe than the 12% decline in industry output It "might need to take a closer look at the productivity of its workforce", it said.

On a brighter note, the federation noted that the price of leather had dropped consistently from December 1989

# Bolwear: exports too costly

WILLIAM GILFILLAN

THE high cost of labour and materials, and not sanctions, is the reason why the SA footwear industry has not been more successful in the export market, says Bolton Footwear (Bolwear) chairman Gerald Stein BDay 26/6/91

Stein says in the 1991 annual report exports are not expected to become a significant part of their business

Although footwear manufacturing continues to be the largest profit contributor with 57% of 1991's profits (63% in 1990), footwear retailing has become increasingly important

The contribution from the retail division increased to 34% in 1991 from 27% in the previous year, largely through the increased fortunes of the up-market retail store A & D Spitz (187)

Motor dealerships and construction, with profit contributions of 4% and 5% respectively, make up the remaining activities of the group

A Bolwear spokesman believes the group should produce real earnings growth in the 1992 financial year

"The pick up trend which began in the last six months of the last financial year has continued into this year and the work stoppages experienced last year are not expected again this year," the spokesman said

Bolwear's full year earnings a share for the year ending February 1991 were down 25% at 25,2c from 33,4c

# Conshu retains its market share

BDay 28/6/91 (187)

WILLIAM GILFILLAN

LEADING footwear manufacturer Conshu Holdings was determined not to lose any market share even if this meant putting pressure on margins, CE Robert Feinblum told the Investment Analysts' Society this week

However, Conshu had managed to hold market share this year "with very little, if any, drop in margins", he said

He expected turnover for this financial year to be about R620m

Turnover and operating income were expected to rise about 17% this year because "people will always need to wear shoes, whatever the economic situation"

At R220m, the group has the second-largest market capitalisation in the clothing, footwear and textiles sector

Competitors Amshoe and Bolwear come in on market capitalisations of R70m and R22m respectively

Holding more than 30% of the market in volume and more than 40% in value terms, its 14-million shoes manufactured this year were intended mostly for the top and middle end of the market

## Expansion

Contrary to some of his competitors, Feinblum was particularly optimistic about export prospects

He said Conshu had experienced strong growth in this market, exporting shoes to countries including Japan, Taiwan, Europe and the UK

The labour-intensive nature of the shoe industry had led to expansion into more capital-intensive production through listed subsidiary Wayne Manufacturing

About 20% of Wayne's products ended up in Conshu footwear and 10% in the footwear of Conshu's competitors

Feinblum said he wanted to expand Wayne into the motor, agricultural and construction industries "to lessen its dependence on footwear"

His target for Wayne's sales in 1995 was R500m — a level that would probably only be achieved through acquisitions

Current Wayne operations would bring projected sales of R258m in 1995, assuming real growth of 10% a year

Feinblum said imports did not threaten his company as "these are mostly aimed at the lower end of the market, where Conshu is not much involved"

As Conshu's shares were tightly held, with Sankorp, SAB and Fedlife holding 40%, 33% and 11% respectively, Feinblum's bullish outlook was not likely to be followed by a rush of share buying

# Protection for shoe industry

B'Day 31/7/91

ROBERT LAING

187

GOVERNMENT is considering placing "relatively high ad valorem duties" on cheap imported shoes to protect the local footwear industry, Board of Trade and Industry chairman Lawrence McCrystal said in a statement yesterday

"The board wishes importers of footwear, particularly those considering importing footwear with synthetic and textile uppers in the lower price brackets to be aware of this possibility," McCrystal said

His statement said the board's review of the protective formula duties on shoes it introduced in 1987 had shown that local manufacturers still experienced serious cost disadvantages against offshore competitors and it was therefore recommending that protective duties be increased

"There is, however, the pressing need for the industry to become more internationally competitive "

Local shoe manufacturers seemed to hold their own in the leather uppers market, but protection was needed for fabric-uppers shoes

# Lenco hoping to keep feet on ground

Star 5/8/91

Diagonal Street

187

LYNNE PEACH

Lenco fell short of expectations in the past year and although prospects for the current year need to be toned down, some improvement in earnings could materialise

In the annual report, executive chairman Douglas De Jager says trading conditions were tough, particularly so in the closing months

Difficulties were exacerbated by labour unrest, while the high level of interest rates placed additional strain on resources

The group acquired three rigid plastic plants which needed to be turned around

In the light of these factors, Mr De Jager says it is acceptable that the group operating margin of 12,3 percent fell short of the 15 percent target

Mr De Jager predicts an even rougher ride for the economy in the current year

However, he believes the group's residual strengths will allow it not only to survive, but to show earnings improvement and a further strengthening of the balance sheet

He says the focus this year will be placed on asset management and cash flow generation

Lenco holds investments in various companies comprising manufacturers of footwear, shoe components, clothing, rigid plastic packaging and property ownership

In the year to February, group turnover shot up 55 percent from R283,9 million to R440,8 million and operating profit, 28 percent from R42,3 million to R54,2 million

After finance costs more than doubled from R7,1 million to R16,3 million, the rise in pre-tax profit was reduced to seven percent from R35,3 million to R37,9 million

A reduction in the effective tax rate from 22,1 percent to 16 percent resulted in taxed profit increasing 16 percent from R27,5 million to R31,8 million

After adding the share of retained income of associated companies and deducting outside shareholders' interest, attributable profit grew 15 percent from R18,1 million to R20,9 million

A loss on the disposal of a subsidiary resulted in an extraordinary write-off of R19,5 million

Based on an increased number of shares in issue, earnings per share decreased five percent from 45,3c to 43,2c

The dividend for the year did not follow suit, rising 11 percent from 9c a share to 10c

The balance sheet disclosed a 71 percent increase in net interest-bearing debt from R34,4 million a year ago to R58,9 million

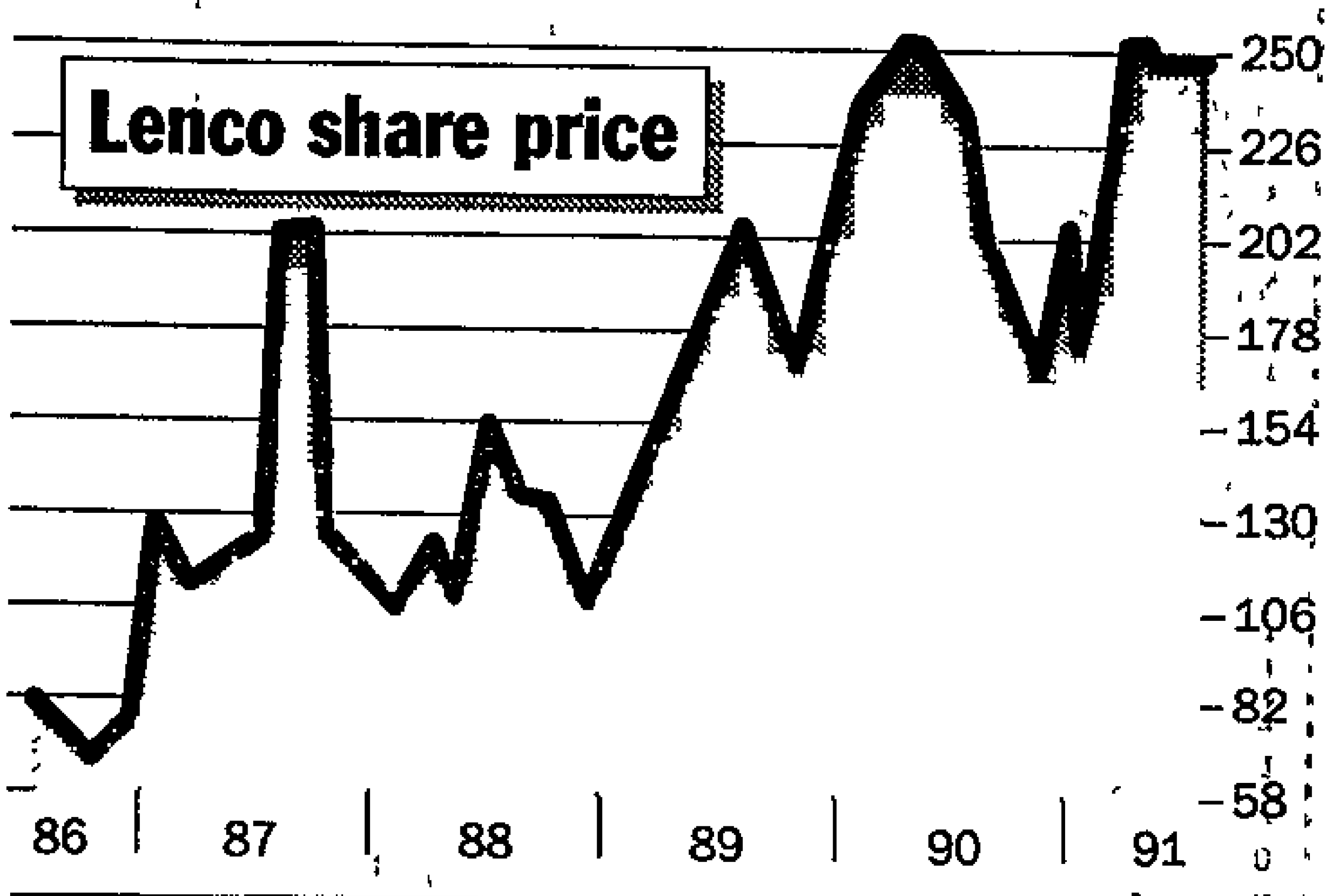
After shareholders' funds rose to R85 million because of the rights issue, gearing deteriorated from 41,1 percent to 46,4 percent

Net asset value appreciated 11 percent from 146,7c a share to 162,9c

Lenco, priced at 245c, is trading on a P/E ratio of 5,7 and provides a dividend yield of 4,1 percent

The share appears to offer value-for-money at the current price level, bearing in mind that it has a good track record and relatively attractive prospects

COMMENT The share has performed well over the past five years and the primary trend remains favourable However, a sign of weakness is indicated by the share's failure to break through the 250c barrier Unless a breakthrough occurs in the short term, a trend reversal could take place



BUSINESS DAY, Monday, August 5 1991 

187

# Footwear industry 'to expand'

B Day 5/8/91

WILLIAM GILFILLAN

THE footwear industry is set to expand now that government has clarified its policy on import duties, shoe manufacturers say.

This was the reaction of Amalgamated Shoes CE Roy Eckstein and Conshu Holdings CE Robert Feinblum.

Duties have been increased on most footwear, excluding the lowest priced synthetic, textile and leather footwear.

Director of the Board of Trade and Industry Dame Jordaan said manufacturers had been calling for a permanent structure as they were not prepared to invest further in the industry under the temporary duties.

The interim duties imposed in 1987 had been replaced by a more permanent duty which was intended to give manufacturers clarity in order to help them with their investment decisions, he said.

## Proportional

There is now a 30% fixed duty on imported leather footwear and a 60% duty on imported synthetic and textile footwear.

There was a fixed duty of 30% in 1987 but when import control was placed on footwear, a temporary proportional duty was added to protect local manufacturers.

Jordaan said interim duties were imposed to protect the industry in 1987 when import controls on footwear were lifted.

The 60% fixed duty was to stand for three years and it would be reduced by 5% a year until it was down to 30%.

This would give local manufacturers time "to get their house in order" following the lifting of import controls in 1987.

One analyst said Amalgamated Shoes stood to benefit from the new structure and the smaller manufacturers would benefit the most.

The footwear industry consists of about 150 factories manufacturing about 90-million pairs of shoes valued at about R1,4bn a year. The industry employs about 38 000 workers.

# Footwear duties upset retailers

B/DAY 19/8/91 (187)

WILLIAM GILFILLAN

NEW tariffs on imported footwear are set to hit the lower income consumer hardest, according to retailers canvassed at the weekend But this was strongly disputed by Board of Trade and Industry chairman Lawrence McCrystal.

Duties have been increased by about 50% on all footwear other than leather goods, but McCrystal said they had been reduced at the very bottom end of the market This was because the formula duties "which by design result in the lowest priced footwear being hit the hardest" had been replaced by ad valorem duties.

There had been a doubling in duty to R5 from R2,41c for shoes which cost R4,13c to import

Retailers predict that prices are set to increase from between 20% and 40% because of the duties

OK spokesman Gerrie Snyman said footwear for children would be hit hard He felt the new duties were not justified as local suppliers did not have spare capacity in this market

Edgars CE George Beeton said it was a "sad day" as the new duties would be inflationary The supply of locally-manufactured goods in the market sector where duties had been increased were sporadic

Lower income consumers would now be hit by the duties — and VAT, he said

The retailers said the new duties would provide an incentive to local manufacturers to raise their prices to a little below the landed price of the imported footwear, and this would add to inflationary pressures

They also complained that duties were increased in 1987 specifically to allow local manufacturers to get their house in order after import controls had been lifted Now, four years later, there was a further increase, again supposedly to give local manufacturers time to sort themselves out

The BTI argued that the duties imposed in 1987 were temporary, and manufacturers were only prepared to commit themselves to large investments in plant and machinery under a "permanent regime"

McCrystal said the duties had not been imposed to protect local manufacturers but to give the industry time to gear itself to compete internationally, especially with countries from the East

Employment in the industry has dropped to about 28 000 from about 29 000 two years ago

Jack Lindstrom

# Conshu puts its best foot forward despite interest bill

Bday 22/8/91 (187)

WILLIAM GILFILLAN

LEADING footware manufacturer Conshu Holdings has run up a 14% increase in earnings to R31m from R27m on turnover which increased 17% to R622m from R532m

Higher interest charges kept the increase in earnings below the 17% rise in operating income to R71m from R61m

Despite an increase in long-term borrowings to R36m from R21m, which CE Robert Feinblum said resulted from higher working capital and property purchases, the debt equity ratio was a healthy 27%

A final dividend of 16,5c (14c) a share was declared giving a total dividend of 28c (24,5c) a share

Working capital rose 28% to R113m off R88m which Feinblum attributed to the higher turnover

He said the group's performance had been affected by the unrest, notably in Natal He was concerned that the introduction of VAT could exacerbate its labour problems

Export turnover increased by 68% although Feinblum conceded this had been off a low base.

While he welcomed the recent increase in import duties, Feinblum said more jobs would have been saved had they been introduced earlier.

Productivity per employee in the footwear industry had decreased by 18,6% from 1986 he said

Since the group's listing in 1987, earnings per share had increased from 31c a share to 66c a share and shareholders funds from R30m to R145m

Earlier in the week Wayne Manufacturing, 85% held by Conshu, announced earnings up 17% at R9,2m from R7,9m on turnover which rose by 17% to R130m from R111m

About 20% of Wayne's industrial and PVC products end up in Conshu footwear

# Conshu Holdings walks tall

Star 22/8/91 (187)

Footwear manufacturing group, Conshu Holdings, has posted a 13,7 percent increase in attributable income and announced a 14 percent improvement in dividends for the year to June

Chief executive Robert Feinblum says the increase in attributable income to R30,8 million (R27,1 million), on a 17 percent higher turnover, was achieved in the teeth of the general economic downturn and the on-going unrest in the workplace.

Earnings a share showed a corresponding increase to 66,6c (58,6c).

A final dividend of 16,5c (14c) a share has been declared, bringing the total dividend for the year to 28c (24,5c)

The dividend is covered 2,4 times

The group maintained operating efficiency with a 16,9 percent rise in operating income to R71 million (R60,7 million)

High interest rates pushed up finance charges 28,9 percent to R13,2 million (R10,3 million)

Mr Feinblum says the company's healthy balance sheet — the debt/equity ratio stands at 0,27 — will enable it to take advantage of the economic upturn when it arrives.

"In the meantime, trading will remain difficult during the year ahead, with business confidence and consumer demand continuing at low levels," he says — Sapa

B/Day 3/9/91

# Acquisition by Hunts of Arwa being probed

(187)

SHARON WOOD

THE Competition Board opened a formal investigation into Hunts' aquisition of Arwa Hosiery in January because the deal had not gone as expected, Competition Board director Pierre Brooks said yesterday.

Prices the board was told would be paid in the deal, and the selling of the divisions, had allegedly not proceeded as had been disclosed, he said.

"There have also been complaints from retailers that prices have taken off and contractual arrangements have unilaterally changed.

"The board has been in correspondence with bankers for about a month and they had an inkling that the investigation would be launched," he said.

The investigation would allow all involved to give their views.

FSI approached the Board in December last year and provided information that Arwa was a failing company.

Based on this information the Board had decided the sale of Arwa's various divisions was necessary to avoid liquidation, and told FSI it would not do a formal investigation.

"The Board was not fully appraised of all the details at the time and there is a question mark over whether it (Arwa) was a failing company," said Brooks.

Hunts' holding company, W & A Investment Corp, is controlled by FSI.

A previous attempt by FSI to take over Arwa failed in April last year after the board called off an official investigation. This was because FSI, through its holding of Burhose and Arwa, was expected to have 99% of the pantihose industry.

Both Hunts Hosiery Division MD Alan Falconer and FSI chairman Jeff Liebesman said they had not been notified of the investigation.

Brooks said it had been announced in Friday's Government Gazette.

# Import duty structure 'should have come sooner'

B/Day 17/9/91

187

WILLIAM GILFILLAN

JOBS and factories in the footwear industry and in the Conshu group could have been saved had the new import duty structure for the footwear industry been implemented timeously, Conshu CE Robert Feinblum said in the 1991 annual report.

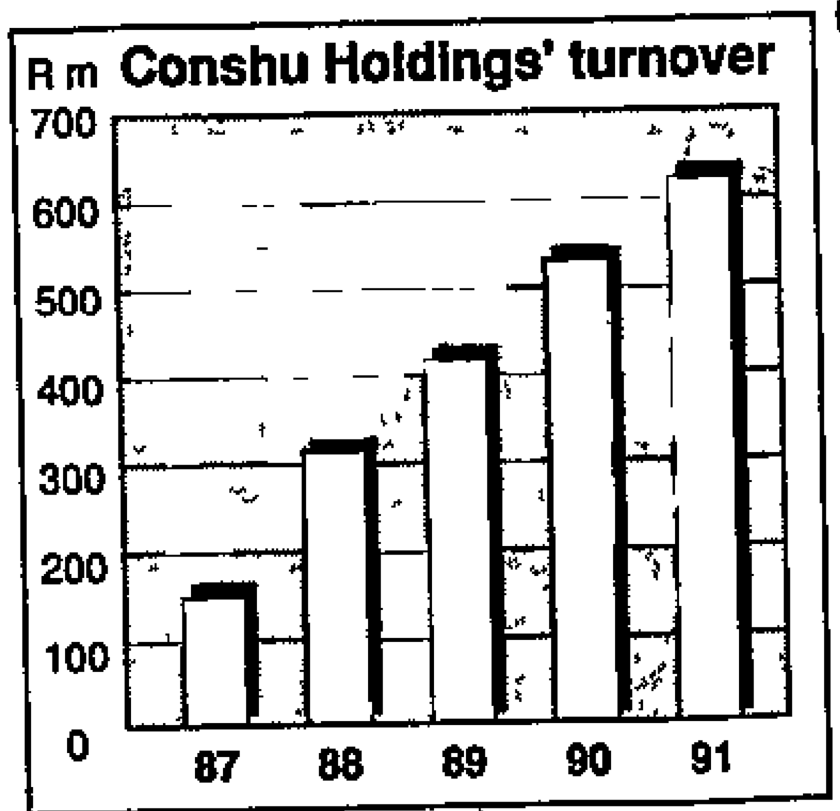
Under the new structure, ad valorem duties have been increased to 60% on synthetic and textile-uppered footwear. The increased duties have been recommended for a period of three years to give the industry time to rationalise.

The duties will then be scaled down by 5% a year for six years to end up with an ad valorem duty of 30%.

Chairman Attie Du Plessis welcomed the new structure as he said it offered some certainty to the future of the local footwear industry.

Du Plessis said Conshu's export turnover had grown by over 68% in the 1991 year, although he conceded this had been off a low base.

The group is trading at 520c a share to give a 66% premium over its net asset value at June of 313c a share.




Graphic: FIONA KRISCH Source: CONSHU HOLDINGS

# Conshu keeps in step

Star 23/9/91

Diagonal Street

187

LYNNE PEACH

Footwear manufacturer Conshu is expected to continue to outperform its competitors and achieve sufficient growth to satisfy its shareholders

In the latest annual report, chief executive Robert Feinblum says although he does not envisage an upturn in the economic cycle in the current financial year, the group is well-placed to supply the local market with footwear previously coming from the East and to expand its export market

The group performed well in the past year, particularly when it is noted that production and productivity in the industry declined and that the value of imported footwear rose sharply

Conshu, through its subsidiaries, carries on business as a manufacturer and distributor of footwear components

General footwear contributes 80 percent to operating income and rubber and plastic products account for the remaining 20 percent.

At the start of the current financial year, the group acquired the rubber manufacturing assets of Rubber Products & Moulding for a cash price of R4 million

In the year to June, turnover grew 17 percent from R531,9 million to R621,6 million.

Efforts to increase export business paid off, with turnover in foreign markets soaring 68 percent, albeit off a low base

After net interest expenses increased 30 percent from R10,3 million to R13,3 million, pre-tax profit rose 14 percent from R50,5 million to R57,8 million

A decline in the effective tax rate from 43,8 to 43,2 percent pushed taxed profit to R32,8 million, 16 percent higher than the previous year's R28,4 million

After deducting outside shareholders' interest, attributable profit advanced 14 percent from R27,1 million to R30,8 million Earnings a share rose similarly from 58,6c to 66,6c The dividend for the year was raised from 24,5c to 28c

The balance sheet disclosed a 24 percent increase in total borrowing from R31,9 million to R39,6 million, resulting in a marginal deterioration in gearing from 25 to 27 percent

Net asset value appreciated 15 percent from 271,4c a share to 312,8c.

COMMENT Conshu, priced at 530c, is trading on a P/E ratio of eight and provides a dividend yield of 5,3 percent

These yields are attractive in the light of the group having comparatively favourable prospects. Investment in the shares is worth considering

Conshu's share price has moved up strongly in the past year from 320c to its current high of 530c

The bull trend is intact and a reversal will be indicated only if the price falls below 500c

UNIVERSITY OF CAPE TOWN

## Schedule III Appointments

(The Registrar is to have the authority to decide appointments and promotions to posts on this schedule).

### Technical Posts

Chief Technical Officers
Senior Technical Officers
Technical Officers

### Administrative and other Non-Academic Posts

Posts at the clerical assistant (special grade) and administrative assistant levels.

# Frame company lockout

Sowetan 26/9/91

THE United Frame Footwear shoe company yesterday locked out 500 members of the Transvaal Leather and Allied Trades Industrial Union, who are on a legal wage strike at Village Main.

The general secretary, Mr Freddie Swartz, said the strike - in its second day - was sparked by the company's refusal to negotiate wages with the union. (187)

He said the company was insisting on paying wage increases agreed to at the National Industrial Council.

The union represents 85 percent of workers in the footwear sector in the Transvaal but was not party to the footwear negotiations on the National Industrial Council.

A strike ballot had nearly 100 percent support for industrial action and his union would challenge the illegal lockout.

A Frame spokesman refused to comment. *-Sapa*

26.9.1979

ANIES

# Amalgamated Shoes watches turnover climb 21%

B/Day 16/10/91 187

WILLIAM GILFILLAN

IN A move to retain market share, Amalgamated Shoes (Amshoe) experienced lower profit margins in the six months to August, recording earnings up at R9,5m (R9,3m previously) on a 21% rise in turnover to R127 431 from R105 141

CE Roy Eckstein expected earnings to be only slightly up on last year's as a result However, the group hoped to regain some of the lower margins through moving more operations to Lesotho as labour and overheads were lower there

Eckstein said current assets were up at R100m from R86m in February as debtors were taking longer with payments

Work in progress was higher in line with higher turnover Earnings a share were 16,2c (16,1c) No interim dividend was declared

FM 18/10/91 (187)

CONSHU FM 18/10/91

## Gaining share

(187)

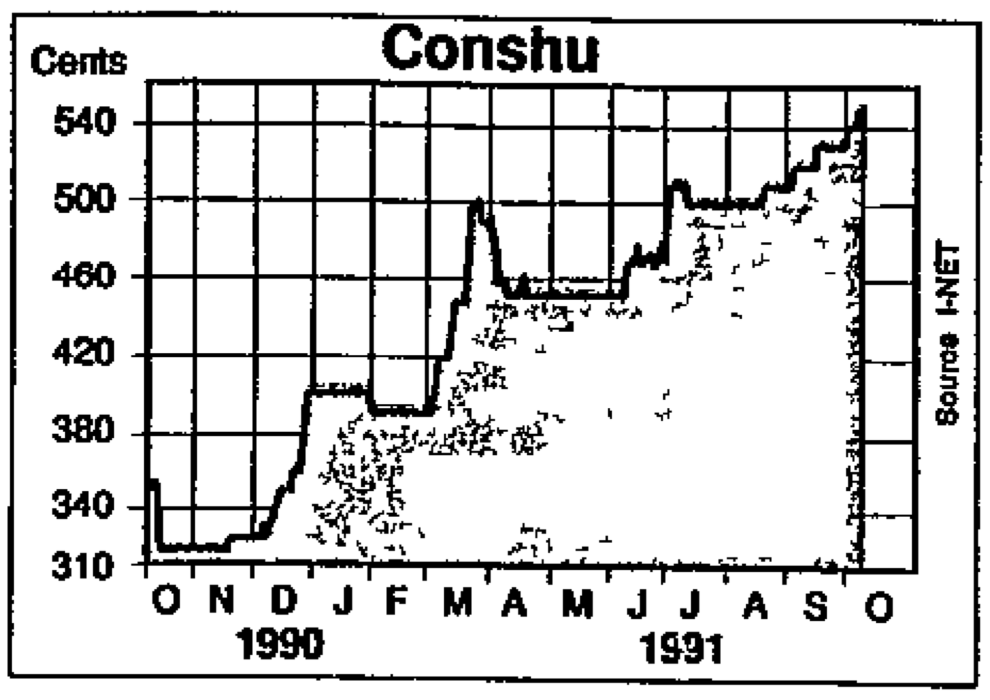
**Conshu** continues to gain market share in the otherwise shrinking shoe industry Between 1986 and 1990, footwear production in SA

**Conshu's Feinblum** *doing well in shrinking industry*

declined by more than a tenth, yet Conshu's sales have quadrupled in that time The shoe industry is labour-intensive and production of cheap shoes has lifted to the Far East

Small losses were made by Conshu's canvass and synthetic shoe operations in the 1991 year, but their outlook improved markedly after the Board of Trade & Industry imposed 60% duty on synthetic and canvass shoes Management believes that, had the

Continue →




**Activities:** *Manufactures footwear*
**Control:** *SA Breweries and Sankorp jointly own 61,5%*
**Chairman:** *A S du Plessis, CE· R M Feinblum*
**Capital structure:** *46m ords Market capitalisation R255m.*
**Share market:** *Price: 550c. Yields 5,1% on dividend; 12,1% on earnings, p e ratio, 8,3, cover, 2,4. 12-month high, 550c, low, 315c. Trading volume last quarter, 54 000 shares*

| Year to June 30 | '88 | '89 | '90 | '91 |
|---|---|---|---|---|
| ST debt (Rm) | — | 3,7 | 10,5 | 3,7 |
| LT debt (Rm) | 0,03 | 14,8 | 21,5 | 35,9 |
| Debt:equity ratio | — | — | 0,27 | 0,28 |
| Shareholders' interest | 0,49 | 0,44 | 0,47 | 0,46 |
| Int & leasing cover | 12,8 | 9,9 | 5,6 | 5,2 |
| Return on cap (%) | 28,4 | 25,4 | 23,9 | 23,6 |
| Turnover (Rm) | 329 | 420 | 532 | 622 |
| Pre-int profit (Rm) | 37,9 | 48,8 | 60,7 | 71,1 |
| Pre-int margin (%) | 11,5 | 11,6 | 11,4 | 11,4 |
| Earnings (c) | 43,8 | 56,8 | 58,6 | 66,6 |
| Dividends (c) | 17 5 | 22,5 | 24,5 | 28,0 |
| Net worth (c) | 161 | 199 | 232 | 273 |

tariff been imposed earlier, then factories such as the one at Pinetown could have stayed open.

Results were hampered by a strike at the beginning of the year and by stayaways throughout the period, though these were on a smaller scale than the previous year. CE Robert Feinblum warns that shareholders will not invest in an industry plagued by stayaways, strikes and low productivity. Conshu hopes to improve employee relations by encouraging linkage of pay to productivity.

Despite these problems, earnings increased by 13,7% and turnover by 16,8%, even though overall footwear production for the year fell by an eighth, to 54m pairs. Exports rose by 68%, off a low base

Conshu has looked to the future by standardising information technology A new system, Concorde, has been installed to interface with existing systems such as Computer Aided Design, Leather Measurement and Dial-in-Order Processing.

Financial director Charles Rapp says Conshu is concentrating on branded footwear, which is less sensitive to imports. Conshu brands include Barker, Jordan and Bally. Through Wayne Manufacturing, the group is diversifying into non-footwear areas such as pedestrian tiling and windscreen wipers. Otherwise, the group remains a dedicated footwear business with a family-orientated management-style.

Feinblum says financial disciplines have been improved, especially in cash management. Gearing and interest and leasing cover are both at sound levels. Investment of cash on replacement of fixed assets and on the expansion of operations was cut back Net outflow of funds was reduced from R24m to R5m, though R10m was spent on properties

Earnings have almost quadrupled since the listing in 1987, the operating margin has remained steady at around 11,5% Feinblum predicts that Conshu will continue to achieve satisfactory growth for shareholders and employees

The earnings yield of 12,1% on the share partly reflects the poor rating of the clothing, footwear and textile sector Average yield on the index is now 14,5%, higher than all other sectors except furniture and steel Conshu, however, claims to be less import-sensitive than clothing and textile companies because of the added value provided by its brands Better quality shoes have become a status symbol among urban blacks, which should underpin its growth.

The new tariff dispensation offers opportunities The share is relatively cheap, though the constant threat of foreign competition adds to risk. *Stephen Cranston*

# R7m battle over sports shoe deal

PRETORIA — A top international sports shoe manufacturer, which succumbed to the sanctions campaign against SA and cancelled a distribution agreement with a local company, is being sued for R7,5m damages Bpay 6/11/91

Jokari, of Bramley in Johannesburg, is claiming R7 410 161 from Reebok International, a British registered company, in the Pretoria Supreme Court.

The hearing, which started before Mr Justice Joffe yesterday, is expected to last about 10 days

In papers before the court, Jokari says that on August 6 1982 it concluded an agreement with Reebok for local distribution rights of their popular sports shoes A second agreement to this effect was concluded on July 24 1987

An implied term of this agreement was that all orders placed with Reebok would be executed within three months or a reasonable time thereafter.

It was also within the contemplation of the parties that shoes ordered from Reebok were required for purposes of resale at a profit, and that Jokari would lose sales and suffer damages because of a loss of profits if Reebok failed to execute these orders, Jokari says

It says orders for several thousand pairs of shoes were placed in 1987, but the shoes were never delivered.

In a September 1987 letter from Reebok to Jokari, "the impact of SA's racial policies on public opinion within the USA" was given as the reason for the cancellation of the agreement.

The hearing continues today — Sapa

# Conshu holds up the index

Bday 24/12/91. R187.

**WILLIAM GILFILLAN**

THE performance of shoe manufacturer Conshu Holdings, whose share price jumped from 400c a share in January to its present 600c, has shielded the clothing, footwear and textile index from plummeting by more than its 15% decline this year.

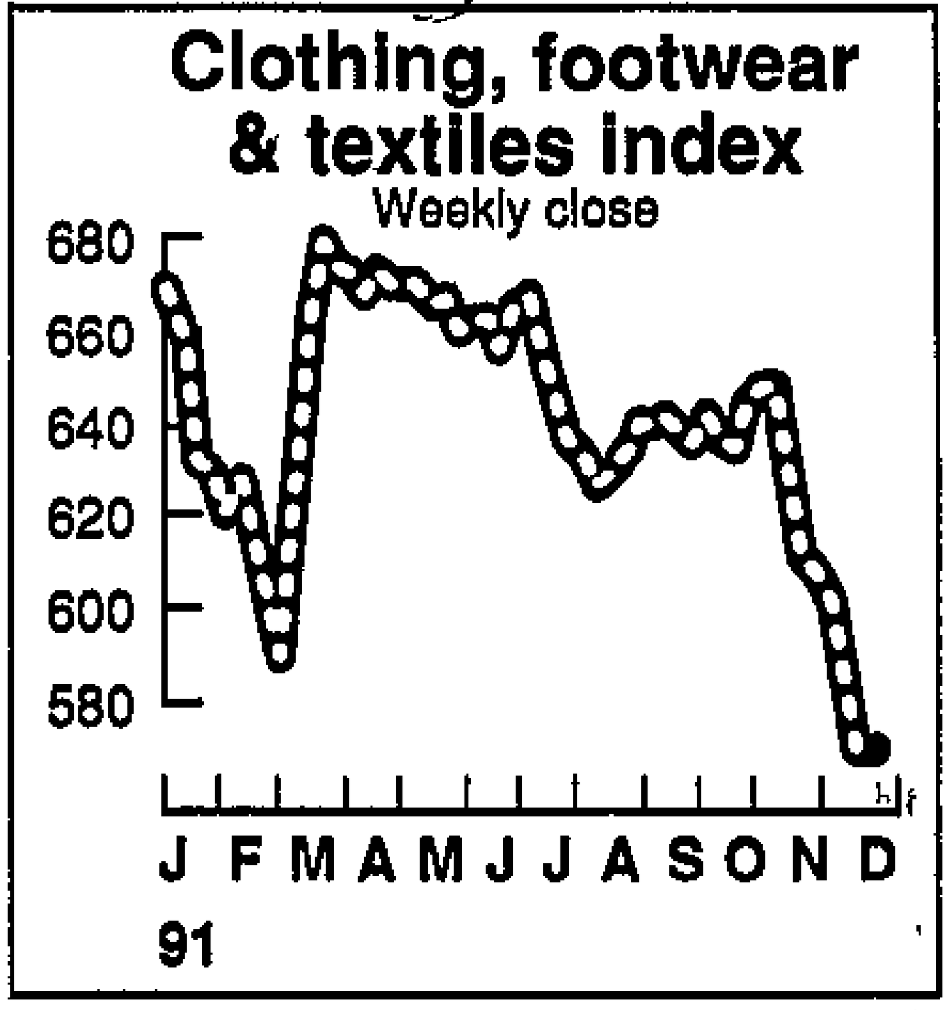
In fact, in terms of market capitalisation, the rise in Conshu's share price has seen it become the largest contributor to the index. In January its R185m market capitalisation placed it in fourth position behind textile manufacturers Da Gama (R356m), Consolidated Frame Textiles (R213m) and Romatex (R188m).

However the jump in market capitalisation to its current R277m means the shoe group leads the index ahead of Da Gama, with a drop to R255m, and Romatex whose capitalisation was slashed to R119m.

But the biggest fall came from Consolidated Frame, whose capitalisation plummeted to R44m. This was reflected by the drop in its share price to 80c a share from 380c at the beginning of the year.

The share price of Amalgamated Shoes (Amshoe), the other shoe manufacturer in the index, did not perform in the same way as blue chip Conshu. But the marginal drop in Amshoe's price, down to 130c a share from 140c in January, ensured its capitalisation fell only R5m to R76m.

Meanwhile Lenco Holdings' contribution within the index jumped to third place from fifth place on the back of an increase in its capitalisation to R184m from R99m in January. Lenco's share price has risen to 300c a share from 190c.




Graphic: LEE EMERTON Source I NET

Seardel Investment Corporation (Seardel), which mainly manufactures clothing, saw its capitalisation increase to R79m from R77m early in the year on the back of the rise in its share price to 340c from 330c.

However, the rise in the market capitalisation of SA Bias Industries, a trimmings manufacturer in the clothing and footwear industries, to R85m from R70m meant it overtook Seardel in terms of relative importance in the index.

Leather manufacturer Silveroak Industries was taken off the index earlier this year.

# FSI 'may sell hosiery division'

MARCIA KLEIN

INVESTMENT holding company FSI could be set to sell its hosiery division, market sources said yesterday (187)

Various sources said the group could be selling this division, formed after the acquisition in January last year of Arwa Hosiery by W & A company, Hunts The deal saw subsidiary Burhose and newly acquired Arwa account for 99% of the SA hosiery market B|Day 5|2|92

Although it was not clear who the possible buyer might be, one analyst estimated that the hosiery division could be sold for more that R200m If correct, it would mean FSI would pay off the R224m acquisition of W & A in one deal involving the sale of a relatively small asset

An analyst said yesterday the market had been speculating for some time that FSI would sell a subsidiary, and such a sale would not only see it pay off the W & A acquisition, but it would result in a substantial reduction in the group's debt

Apart from the hosiery division, it was also suggested that FSI could be disposing of National Bolts Both these divisions were involved in exports Market sources expect an announcement later this week.

FSI chairman Jeff Liebesman said last night "lots of exciting things (were) on the go at the moment", and the market would be informed when the time was right

FSI is still awaiting the outcome of a Competition Board report into the Burhose/Arwa deal Board chairman Pierre Brooks said the board had completed its report, and expected the Minister to reply to its findings this week

# Recession puts brakes on at BTR Dunlop

STAR 18/2/92

In spite of tough trading conditions, BTR Dunlop has managed to contain earnings a share decline to 17 percent for the year ended December to 239 cents on sales four percent lower

Preliminary figures for the year released yesterday show sales were lower at R672 million while trading profit was down to R101,2 million from the previous year's R134,2 million

Profit attributable to shareholders was down to R56,6 million from R67,4 million

A final unchanged dividend of 105 cents a share was declared, bringing the total for the year to 165 cents a share

BTR Dunlop managing director Clive Hooper said the sales decline of 14 percent was mainly due to the continuing recession coupled to the fact there were few major capital projects in the mining industry during 1991

Four group companies, he said, had been affected by the eight per cent decline in new vehicle sales in 1991 — Sapa

# Wankie to be modernised

STAR 18/2/92

HARARE — Wankie Colliery, with a monthly output of 70 000 tons, hopes to boost production by up to 50 percent with a five-year modernisation programme

However, managing director, Kudzai Bwerinofa says the coal mining giant stands to lose more than Z$24 million this year if it does not get a price increase

Coal prices on the international market are between $35 and $40 a ton, while Zimbabwe's most expensive coal is fixed at about $12 a ton — Sapa-Reuter

# Conshu blames shoe imports for profit drop

(187)

STAR 18/2/92

Conshu has been hit by the recession and in spite of an export drive has reported a fall in earnings of 10 percent for the six months to December

The group said yesterday that earnings per share fell from 33c for last six months of 1990 to 30c for the same period last year

Attributable income was down by eight per cent at R13,9 million (R15,2 million)

A factor in the fall in the figures was a 91 percent increase in the number of imported shoes

Consu CEO Robert Finblum said "Despite the imposition of increased tariffs in August last year, the damage caused by the import of 6,7 million pairs of shoes in the first six months of 1991 impacted heavily on our business, causing a reduction in output which resulted in lay-offs and short-time at our factories during the July to December period last year"

Reduced consumer demand and the introduction of VAT were other factors that brought about the drop in profits — Sapa

31 December 1990 half year figures have not been restated For this reason a comparison bet[illegible]

Management is paying urgent attention to profit improvement

# Conshu loses 9% in earnings

B/Day 18/2/92 (187)

WILLIAM GILFILLAN

CONSHU Holdings has attributed a 9% drop in earnings to R13,9m from R15,2m in the six months to December to the closure of a factory at its 84%-held subsidiary Wayne Manufacturing

The factory, Phoenix Rubber in Durban, was closed after a supervisor was shot at the factory gates last July

"The factory became unmanageable after this incident," said Conshu CE Robert Feinblum

Increased competition from imports and the recession in SA also contributed to shoe manufacturer Conshu's moderate 4% rise in turnover to R329m from R317m Operating income fell to R31,6m from R35,7m despite the higher turnover

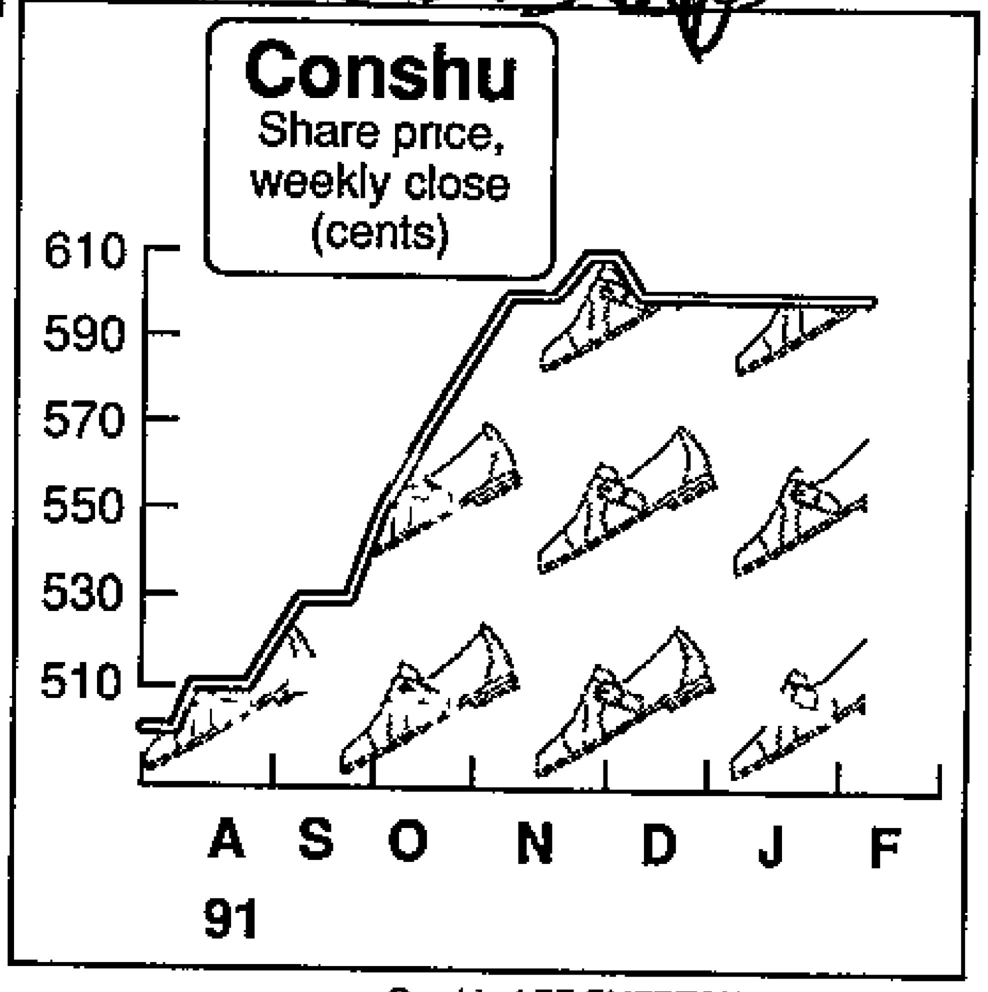
The operating margin, down to 10% from 11%, was lower largely because Conshu management decided to take the Phoenix closure costs above the line (As the costs were of a non-recurring nature they could have been taken below the line in the form of an extraordinary item)

Export incentives reduced the group's tax rate to a relatively low 41%

"Our exports have increased substantially and we are predicting export turnover of about R17m in the year to end-June," Feinblum said

Referring to the Wayne Manufacturing subsidiary, Feinblum said its turnover had declined marginally to R61,5m from R62,7m in the six-month period

However, the loss in turnover as a result




Graphic LEE EMERTON Source I NET

of the Phoenix factory closure had been offset by the inclusion for the first time of about R8m in turnover following Wayne's acquisition of Rubber Products & Mouldings (now called Wayne Rubber Western Cape) in July last year.

The Phoenix factory had now been broken up and its production relocated at four other Wayne divisions

Despite the drop in earnings a share at both Conshu and Wayne, the interim dividend has been maintained at both groups Conshu declared an interim dividend of 11,5c a share on earnings down to 30,1c from 33c a share An interim dividend of 1,75c a share was declared on earnings a share of 4,9c (5,4c) at Wayne

# Report on Arwa deal expected

JABULANI SIKHAKHANE

THE Competition Board will release on Tuesday its report on the 1990 deal which saw FSI subsidiary Burhose get a 99% share of the pantihose market through its acquisition of Arwa Hosiery.

Board chairman Pierre Brooks said yesterday the Minister of Economic Affairs and Public Enterprises had approved the board's report. (187)

The Minister was expected to make an announcement on the board's recommendations on or before Tuesday.

Brooks said last month that depending on the findings of the board and whether these were approved by the Minister, the FSI/Arwa deal could be declared unlawful. BDay 21/2/92

Alternatively, it might be left as it was but with certain conditions attached to it

Should the deal be declared unlawful FSI would be forced to sell the Arwa business

# Board holds Arwa report

B/Day 26/2/97

JABULANI SIKHAKHANE

THE Competition Board has delayed the release of its report on the 1990 deal which saw FSI subsidiary Burhose get 99% share of the pantihose market through the acquisition of Arwa Hosiery (18 D)

Board chairman Pierre Brooks said Public Enterprises Minister Dawie de Villiers had asked it to hold back the report until he reached a decision on its recommendations

The report was expected yesterday morning

# Heavy trading in Lenco shares

B/Day 6/3/92

JABULANI SIKHAKHANE

MORE than 4-million Lenco shares, or 7% of the firm's issued share capital, were traded in a bookover on the JSE yesterday at the ruling price of 320c a share

C187

The R13,95m deal was originally done on Wednesday, cancelled and then rebooked yesterday by Lenco's sponsoring broker Senekal, Mouton & Kitschoff

Stanley Stubbs, Lenco's finance director said that there was nothing "untoward" about the deal He said two large institutions were looking for blocks of Lenco shares and the group had managed to get shares from a major shareholder

Lenco is ultimately controlled by the De Jager family and Rembrandt Group via Lenco Investment Holdings, which owns 43% of Lenco's equity According to McGregor's Who owns Whom other substantial shareholders are Sanlam, which last year increased its holding from 12,20% to 20,6%, Titan Nominees with 10,6% and Syfrets Nominees with 5,6%

The Lenco group manufactures footwear, clothing, rigid plastics packaging and owns property

Among its major brand names are Viyella, Yves St Laurent, Carducci, Consulate and Monatic

Group results are due towards the end of April, but the annual dividend (the group only pays a single dividend) declared last month is up 15% to 11,5c (10c) a share

Lenco has been one of the better performers on the JSE's industrial, clothing, footwear and textile sector, having gained 73% over the past months

COMPANIES

# Boltons' profit margins knocked

EDWARD WEST (187)

LOSSES at Cargo Carriers because of industrial action, the recession and the drought, together with declining profits at Bolton Footwear, resulted in a 40% decline in earnings at Bolton Industrial Holdings

In the year to February 1992, Bolton Industrial's earnings fell to 40,1c from 70,9c a share in the corresponding period last year Its income is derived from a 34,6% holding in Cargo Carriers and a 74,1% holding in Bolton Footwear

In spite of expectations of improved earnings at half-year after restructuring and rationlisation, Cargo reported losses of 15,4c a share, compared with a profit of 0,5c a share in the previous year

Profit margins took a substantial knock as turnover increased to R182m (R181m), but operating profit fell to R668 000 (R7,6m). No dividend was declared

In spite of increasing pressure on profit margins, borrowings were reduced to R10,8m (R16m) and cash flow was positive during the last two quarters

Bolton Footwear's directors reported that trading conditions deteriorated throughout the year Diminishing profit margins were reflected in operating profit falling to R13,8m (R17,3m), even though turnover rose to R199m (R191m) Its directors considered the 14% decline in earnings to 25,2c (21,7c) a share satisfactory. Dividends of 5c a share were declared

Bolton Industrial's distributable earnings fell to 21,4c (26c) a share A final dividend of 14c a share was declared

# Amshoe's expansion aims defy industry-wide pinch

B/Day 15/3/92 MADDEN COLE (187)

INTENSE pressure on margins resulted in shoe manufacturing group Amalgamated Shoes (Amshoe) reporting a 4,0% increase in earnings to 28,5c a share from 27,4c for the year ending February.,

Net income after tax amounted to R16,7m (R15,9m) and an unchanged final dividend of 9c was declared

CE Roy Eckstein said the virtually unchanged operating income of R27,8m (R27,3m) on a turnover of R233,4m (R219,1m) reflected the squeeze on margins The bottom had fallen out of the retail market, and although fewer shoe manufacturers were in production at present, there still was over-production of footwear.

Amshoe, one of the largest shoe manufacturers in the country with a production of 40 000 pairs a day, was feeling the sharp drop in demand keenly, Eckstein said

He believed Amshoe would end up with an improvement in bottom-line profits in the current financial year Factory orders for the summer season were filling out satisfactorily, and the company was building another factory in Lesotho to take advantage of the low tax rate

"Lesotho is our biggest producer now with a daily output of 15 000 pairs of shoes a day.

"We are also looking at Swaziland for possible expansion," he said.

BOLTON FOOTWEAR FM 5/6/92

# Top-end trauma (187)

**Activities:** *Manufacture and merchandising of footwear, motor distribution, housing and construction*

**Control:** *Bolton Industrial Holdings (74%)*

**Chairman:** *G H Stein, MD S R B Finlayson*

**Capital structure:** *20m ords Market capitalisation R20m*

**Share market:** *Price 100c Yields 8% on dividend, 21,7% on earnings, p e ratio, 4,6, cover, 2,7 12-month high, 150c, low, 95c Trading volume last quarter, 135 000 shares*

| Year to Feb 29 | '89 | '90 | '91 | '92 |
|---|---|---|---|---|
| ST debt (Rm) | 6,2 | 21,4 | 21 | 24,5 |
| LT debt (Rm) | 0 7 | 0 6 | 0,6 | 1 6 |
| Debt equity ratio | 0,18 | 0,44 | 0,4 | 0,46 |
| Shareholders interest | 0,63 | 0,53 | 0,56 | 0,54 |
| Int & leasing cover | 8,0 | 4 | 3,3 | 2,9 |
| Return on cap (%) | 18,8 | 21,3 | 18 | 13,3 |
| Turnover (Rm) | 116 | 188 | 192 | 199 |
| Pre-int profit (Rm) | 11,5 | 20 | 17,3 | 13,8 |
| Pre-int margin (%) | 9,9 | 10,7 | 9,1 | 6,9 |
| Earnings (c) | 30,3 | 33 4 | 25,2 | 21,7 |
| Dividends (c) | 9,6 | 11 | 8,4 | 8 |
| Net worth (c) | 192 | 212 | 229 | 242 |

**Exposure at** the top end of the market, where roughly 95% of its production is aimed, is probably aggravating Bolton Footwear's problems in the downturn Conshu, SA's largest manufacturer, with activities across the board, says footwear in the upper market has been hardest hit Amshoe, the second largest, which targets the mid-to-lower end, recently reported a marginal rise in trading profit in the year to February

The lower end (nonleather) has higher protection, with a 60% tariff, against 30% for top-market leather footwear

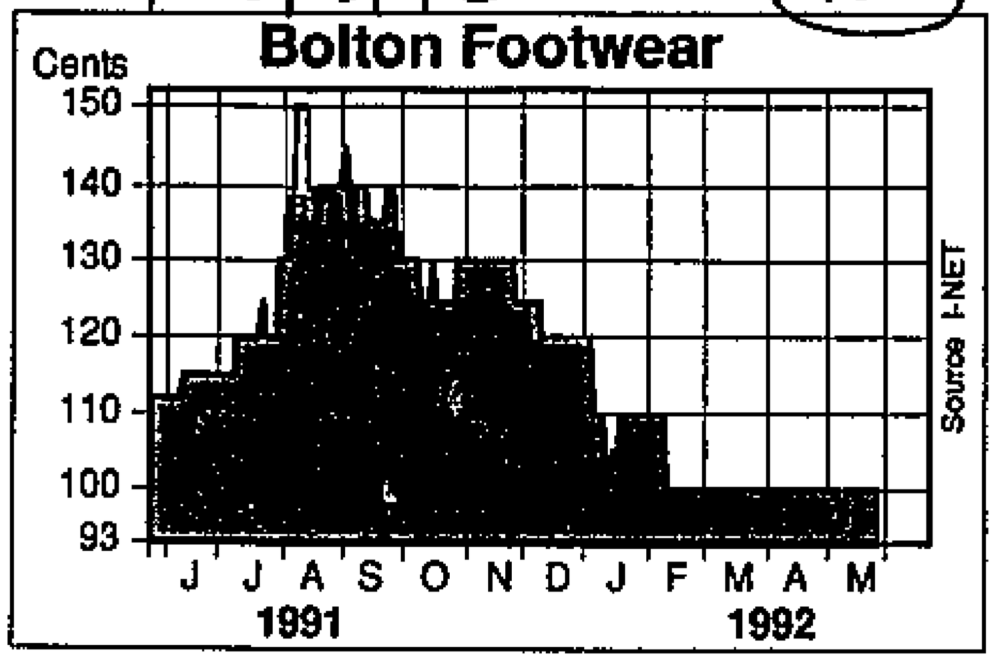
Bolwear director Cedric Novis says, though two of the company's three factories



Cont →



FM 5/6/92. (187)




— Oudsthoorn and Brak River — are operating well below capacity, there are no plans to close any permanently Instead, to claw back lost output it is increasingly emphasising quick-response service and exports

Quick response also reflects management's awareness of potential Far Eastern competition in the upper market Given the US$85/month, 11-hour day working regime in some Far Eastern countries, smarter distribution is probably the only way in which local manufacturers will remain competitive — despite the 30% tariff

Novis says the depreciating rand and General Export Incentive Scheme provide the right base to increase exports from the current 3% of output to about 10% Bolwear has identified Africa, particularly, as a growth area

Manufacturing accounts for roughly half of turnover Retailing and wholesaling (30%) were hit harder than manufacturing Their share of group trading profit fell to 25% (1991 34%) on the back of an unchanged turnover contribution of 32% Though upmarket chains A&D Spitz and Shoerama deteriorated, Bolton Sportswear suffered most, says finance director Marthus Louw

He notes competition from foreign brands increased About five new entrants, including major Japanese brand Mizuno, moved in last year, bringing total international sports shoe brands available in SA to 33

Motor distribution, which showed steady growth, and building and construction are the other activities

Narrower margins in footwear manufacturing and distribution trimmed group trading profit to R13,8m (R17,3m) despite the rise in turnover Though the group held its market shares a 5% (nominal) drop in national sales hurt economies of scale Cash generated by operations dropped to R11,5m (R19,6m) because of lower profits and a R4,8m hike in working capital

At 100c the share is close to the 12-month 95c low, reflecting the market's gloom on prospects With a cut in tariffs likely at some stage, the market is probably correct

*William Gilfillan*

# Cheap imported shoes trample SA production

MEREDITH JENSEN

187

CHEAP imported shoes from the East have severely affected footwear production in SA and led to large-scale retrenchments, says Footwear Manufacturers' Federation (FMF) director Dennis Linde.

Linde said in a federation report released yesterday that production had dropped 3,1% over the past year, from 54,28-million pairs to 52,61-million, and nearly 3 000 employees in the industry had been retrenched.

He blamed the decline in local production on the state of the economy and pressure from foreign imports.

"Since 1985, footwear imports have shown consistent increases, to an estimated 17,5-million pairs last year or 25% of local footwear sales."

Conshu financial director Charles Rapp said the drop in demand of nearly 30% was largely due to low-cost imports from China, Taiwan and Vietnam.

Rapp said retail outlets had experienced a drop in demand. Consequently, Conshu had retrenched about 800 people in the past three months.

He said SA production accounted for most of the "top-end" of the market, which had been hardest hit by the recession.

B Day 18/6/92

Black consumers, who now had access to improved transport, were buying the less expensive footwear. "They are less apparel-oriented and no longer need the heavy construction of the formal shoe," Rapp said.

Amalgamated Retail (Amrel) had also had to scale down its operations over the past year. MD Stan Berger confirmed 150 retail stores had been closed.

"We had a lot of shoe stores next door to each other. It was not practical." Amrel's Select-a-Shoe stores were particularly hard hit by decreased consumer demand as well as consumer boycotts.

"The situation does not look healthy, as the footwear industry is very sensitive to consumer demand," Linde added.

TODAY'S WEATHER

LENCO FM 19/6/92

## On the boil (187)

**Whatever** is happening at Lenco, the market evidently thinks it's bullish As recently as June 8 the share stood at 300c Since then there have been two announcements from the company and the share price now trades at 340c

There was a cautionary to alert shareholders that negotiations were under way, and an announcement that holding company, Lenco Investment Holdings (Lenvest), was to be listed Market talk has it that Lenco is to take over Metkor subsidiary Hendlers

If Hendlers is the target, that would not be surprising In 1990, Geoffrey de Jager, twin brother of current Lenco chairman Doug de Jager, sold his joint controlling interest of 16,5% of Lenco — then held by Lenvest — to Remgro Metkor is controlled by Rembrandt

I understand the Hendler operation has not been performing well of late, and Rembrandt management could be well disposed towards shedding the operation from the Metkor portfolio De Jager has made a name for himself as a turnaround specialist, so



FM 19/6/92 (187)

Rembrandt may have offered the company to him

Hendlers has two major components a plastic packaging operation that could fit with the packaging operations of Lenco subsidiary Compak, and the steel beneficiation business known for its Hendler and Hart cooking pots and pans The latter would probably have to stand alone

However, there is no firm foundation for this speculation, no spokesman for Lenco could be reached for comment The share may have risen because the market has absorbed Lenco's annual results released at the end of May EPS rose 14,1% to 49,3c, giving a p e of 6,9 The dividend yield is 3,4% Even if nothing comes of the rumours, the share offers value

*Gerald Hirshon*

# BOLTON INDUSTRIAL [redacted]

FM 19/6/92

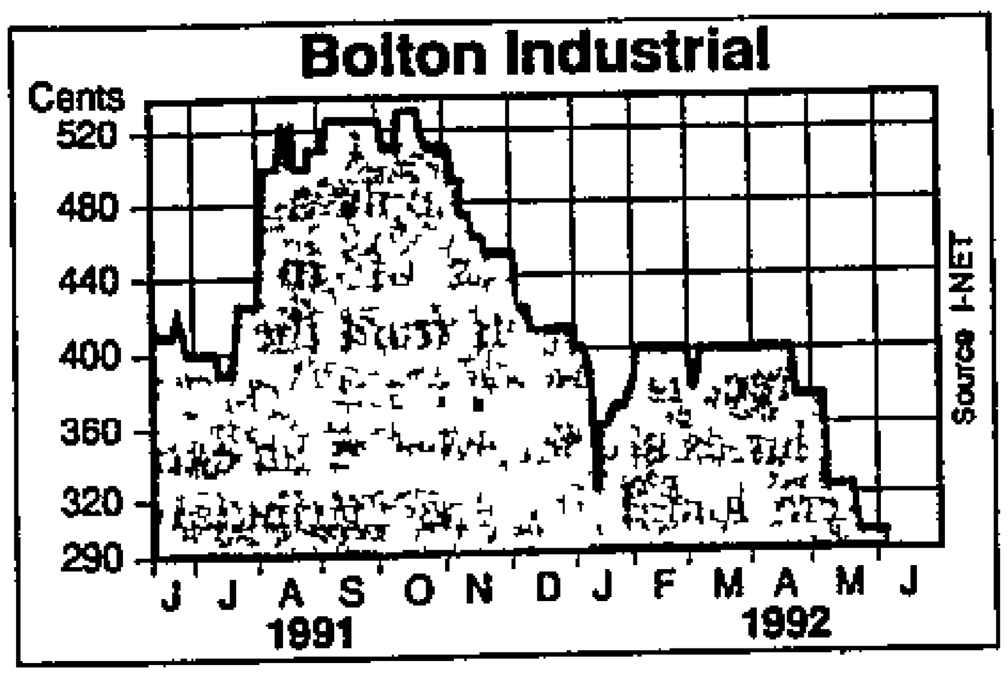
## A year of misery

**Activities:** *Holding company for Cargo Carriers and Bolton Footwear*
**Control:** *Cargo Carriers Holdings — 65,5%*
**Chairman:** *G H Stein, MD· S G Chilvers*
**Capital structure:** *5,2m ords, and 175 000 5,5% prefs Market capitalisation R15,6m*
**Share market:** *Price· 300c Yields 7,2% on dividend, 13,3% on earnings, p e ratio, 7,5, cover, 1,9 12-month high, 530c, low, 300c Trading volume last quarter, 16 615 shares*

| Year to Feb 28 | '89 | '90 | '91 | '92 |
|---|---|---|---|---|
| ST debt (Rm) | 12 9 | 38 6 | 45,6 | 45,1 |
| LT debt (Rm) | 11,5 | 15,7 | 8,4 | 8,9 |
| Debt equity ratio | 0,25 | 0,49 | 0,48 | 0,47 |
| Shareholders' interest | 0,56 | 0,51 | 0,52 | 0,53 |
| Int & leasing cover | 11,4 | 3,8 | 1,9 | 1,3 |
| Return on cap (%) | 12,64 | 16,7 | 11,65 | 6,98 |
| Turnover (Rm) | 258,2 | 362,6 | 370,2 | 380,8 |
| Pre-int profit (Rm) | 21,6 | 37,0 | 25,3 | 14,8 |
| Pre-int margin (%) | 8,4 | 10,2 | 6,8 | 3,9 |
| Earnings (c) | 121 | 144 | 71 | 40 |
| Dividends (c) | 38 | 46 | 26 | 21,5 |
| Net worth (c) | 1 034 | 1 034 | 1 058 | 1 096 |

**In few other** companies reviewed in recent weeks has the attrition of the past two years been as acutely highlighted as in Bolton Industrial Earnings have plummeted, the dividend has been cut yet again and trading margins are under such pressure that now there is nowhere left to hide

The company is purely a depository for effective control of Cargo Carriers and Bol-




FM 19/6/92 COMPANIES
FM 19/6/92 [redacted]

ton Footwear So it reflects the misery which has beset particularly the transport business and, to a lesser degree, the clothing, footwear & textile sector

Turnover in 1992 improved by a bare R10m, or 2,9%, to R380m. But this small achievement was destroyed by a plunge in trading margins, which nearly halved to 3,9% Indeed, doing things by halves seems an unpleasant pattern of the past few years earnings, which halved in 1991 to 71c a share, nearly halved again in 1992, this time to 40c Earnings are now a mere 28% of 1990's level

The dividend has fallen as an inevitable consequence, though not quite so drastically, and at the expense of cover which is now down to 1,9 times from a peak in 1990 of 3,1. MD Stan Chilvers is at some pains to point out that dividend cover is not a matter of concern to directors since the policy is to pay out as much as it can from the proceeds from its two major investments Nevertheless, shareholders, who received 46c a share two years ago, will get 21,5c for 1992 That illustrates the sacrifices being made

**Bolton's Stein** . *difficult to be optimistic*

The company's Achilles heel is Cargo Carriers (*Companies* June 12) which it controls through a 34,6% holding EPS turned negative for Cargo Carriers in 1992. A gloomy chairman Gerald Stein said in his annual statement it is "difficult in these trying times to be optimistic, particularly when past optimism has not been realised" Cargo's problems are excessive competition in a constricting market, itself brought about by recession and compounded by the drought, and by severe industrial action

Chilvers says 11 000 man-hours were lost last year to stayaways, go-slows and other forms of action "It cost us an almost unquantifiable sum in lost revenues," he says Of course, it doesn't help that the Transport and General Workers' Union is known as one of the more militant. Chilvers says every effort is being made from management's side to restore good working relations but he declines to say how successful these attempts have been

Next year will be another difficult year for Cargo Chilvers says a significant downsizing has been undertaken, involving the closure of some branches and a reduction in the labour force This took longer than expected but "Cargo is now lean and hungry," says Chilvers He expects another year of consolidation before benefits are seen

Bolton Footwear (Bolwear), held 65%, looks in better shape But it is the same story. the recession is hurting, disposable incomes have retreated and Bolwear's positioning at the upper end of the market hasn't helped Neither has a 5% drop in national sales volumes Bolwear managed to contain the fall in EPS to 14% and nearly held its dividend distribution at the 1991 level

Director Cedric Novis says the concentration this year will be on exports and Bolwear has specifically targeted Africa as its primary growth area The devalued rand, with the General Export Incentive Scheme, provide the stimulus to increase exports to about a tenth of output, from the current 3% But, despite the upbeat tone of Novis's comments, the market has down-rated the share to a new 12-month low of 90c

Chilvers is reluctant to be drawn on prospects for Bolton Industrial over 1993, saying there are too many imponderables

At 300c, Boltons is on a p e of 7,5 compared with a sector average of 14,7, a strong indication of how the market thinks For the time being, and at least until management of the operating companies prove they have restored their businesses and balance sheets, this is a stock to avoid *David Gleason*

cont →17

FM 17/7/92 (187)

LENCO HOLDINGS FM 17/7/92

# Cash flow swing (187)

**It is a** matter for conjecture whether the similarity between Lenco's free cash flow of R28,8m and attributable earnings of R30,2m is coincidence, or whether it was an objective assiduously pursued Lenco enjoyed a swing of R82m, from a negative cash flow of R54,2m in 1991 to a positive R28,8m in 1992

There were two main reasons for this Firstly, in 1991 there was a cash outlay of R65,9m, relating largely to the buy-out of Monatic and Combined Packaging minorities Both companies were delisted (A R31m rights issue of 12,4m shares in 1991 helped to fund these acquisitions ) In 1992, cash of only R5m was paid for the acquisition of subsidiaries Outside shareholders in Combined Packaging were bought out by issue of 8,8m Lenco shares

Secondly, whereas growth in net working capital absorbed R31,5m of cash retained from operating activities in 1991, it was carefully contained to R1,9m in fiscal 1992

In a difficult year in each of the three industries in which Lenco is active, the priority was to pay meticulous attention to working capital management, cash flow and repayment of debt Chairman Doug de Jager and his management can be satisfied that results show success in meeting these goals

Though group turnover rose by only 4,4%, operational efficiencies were realised and net operating income climbed 7,7% Because of lower interest payments and a reduced tax rate, after-tax income was up 14,4% and retained earnings leapt to R26,9m from R1,4m in 1991 In 1991 there was an extraordinary write-off of R19,5m after the association with Rubenstein Holdings collapsed

Total debt declined by R22m, to R36,8m, and debt equity fell to a respectable 0,25 as portions of both long- and short-term loans were repaid

In the clothing division, turnover rose by 25,5% (boosted partly by the purchase of Cravateur for R8m) This was achieved while the garment industry was laying off workers, production volumes were declining and clothing imports rising The explanation for this success lies in the focused marketing of only highest quality menswear Clothing contributed 19,9% of group turnover (up by 3,6 percentage points) and 16,9% (16,2%) of operating profit — the margin was maintained at 11%

Demand for packaging was least affected by the recession, according to De Jager This division contributed 27% (31,5%) of group turnover, but the operating profit contribution climbed to 37% (29,4%) as the margin rose to 17,4% from 10,5% in 1991 — a notable success

Footwear sales accounted for 51,3% (50%) of turnover and 47,3% (55,2%) of operating profit Margin, at 12%, was slightly down

De Jager believes he has "a skill in repairing things in business " His record is proof of this Capital Fashions, a small UK marketing and distribution company bought last year, has not been a success and will need his attention He has a two-year contract to manage ailing Hendler & Hart, with an option to acquire 50% at a predetermined price, but has decided to bid for 100% If the deal goes through, this company will also need attention

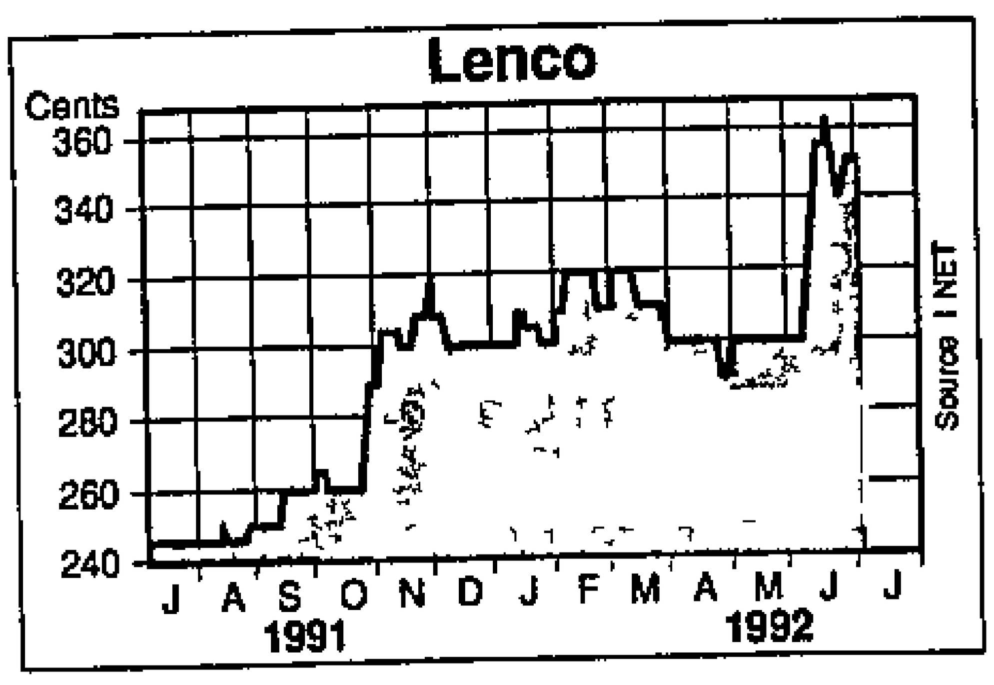
Management in the three existing divisions has been competent enough to produce EPS growth of 14,1% in a tough economic climate De Jager can afford to divert his attention to new pastures, confident that management will remain on course

If Lenco were listed in almost any other sector, its p e would probably be well above the current 7,1

*Gerald Hirshon*

**Activities:** *Makes footwear, clothing and packaging materials*
**Control:** *Lenco investment holdings 51,2%*
**Chairman:** *G D de Jager*
**Capital structure:** *61,2m ords Market capitalisation R214m*
**Share market:** *Price 350c Yields 3,3% on dividend, 14,1% on earnings, p e ratio, 7,1, cover, 4,3 12-month high, 365c, low, 245c Trading volume last quarter, 4,53m shares*

| Year to Feb 28 | '89 | '90 | '91 | '92 |
|---|---|---|---|---|
| ST debt (Rm) | 21,8 | 6,0 | 37,6 | 18,7 |
| LT debt (Rm) | 21,9 | 28,3 | 34,4 | 27,5 |
| Debt equity ratio | 0,16 | 0,42 | 0,48 | 0,25 |
| Shareholders interest | 0,42 | 0,47 | 0,48 | 0,56 |
| Int & leasing cover | 8,9 | 5,7 | 3,3 | 3,8 |
| Return on cap (%) | 22,4 | 24,4 | 21,2 | 22,4 |
| Turnover (Rm) | 207 | 284 | 441 | 455 |
| Pre-int profit (Rm) | 29,9 | 42,3 | 54,2 | 58,4 |
| Pre-int margin (%) | 14,4 | 14,9 | 12,3 | 12,8 |
| Earnings (c) | 35,6 | 45,3 | 43,2 | 49,3 |
| Dividends (c) | 7 | 9 | 10 | 11,5 |
| Net worth (c) | 88,7 | 141,2 | 154,7 | 184,0 |



# Footwear industry faces stiff competition

THE footwear industry's survival will depend on how it handles stiff competition from Far East manufacturers poised to take advantage of lower import duties, Amalgamated Shoes (Amshoe) chairman Douglas de Jager says in the annual review BIDAY 23/7/92.

Increased productivity and reduced import duties on raw materials were key elements for the survival of local shoe manufacturers

KARIN FRANKEN

The survival of the local footwear industry would come under pressure as duties on imported footwear were reduced over the next six years (187)

In line with increased productivity, Amshoe was constructing a production unit in Lesotho and considering a production unit for Swaziland, he said

# Exports put Lenco on profit road

B/DAY 23/7/92

LINDA ENSOR

CAPE TOWN — Exporter Lenco Holdings was expecting reasonable profit in the year to end-February 1993, executive chairman Douglas de Jager said yesterday.

De Jager has recently returned from a trip to Russia and is in the process of finalising export orders for packaging equipment worth about R8,4m.

If, as expected, Lenco acquires 100% of Metkor's Hendler & Hart — which manufactures this equipment and which is presently under Lenco management — the group will derive full benefit from the export orders.

The deal will also give Lenco exclusive distribution rights in Africa for certain Russian products

De Jager says export orders for packaging equipment worth R14m from the US market will come in by next year, and that inquiries worth R28m have been received.

One of the main reasons for the continued buoyancy of the group's performance is its four-year secured contract for clothing exports

De Jager says these exports will increase by 50% this year and are responsible for clothing manufacturer House of Monatic operating at full capacity for the first time

As a result of exports, clothing margins have strengthened, but footwear margins remain under serious pressure However, the market has responded well to Amshoe's latest range

# Lenvest listing

(187) SHARON WOOD (288)

LENCO Investment Holdings (Lenvest), the pyramid holding company of Lenco Holdings (Lenco), issued its prelisting statement yesterday BDAY 29/7/92

The conglomerate has interests in the shoe, packaging and clothing sectors and became a public company on May 27 Lenvest has a 51,23% shareholding in Lenco

Lenco shares may be exchanged for Lenvest shares in the ratio of 150 Lenvest shares for every 100 Lenco shares.

AMSHOE FM 14/8/92

# Import fears

(187)

**The depressed** economy is not the only thing squeezing profits in the footwear industry So too is competition from Far East manufacturers This is expected to become more problematic as foreign competitors take advantage of the lowering of import duties over the next six years

Group chairman Douglas de Jager says the survival of the industry depends on its ability to increase productivity

Amshoe, SA's second-largest manufacturer which targets the middle-to-lower end of the market, has in the past benefited from a 30% (increased to 60% in the past 15 months) protection tariff on nonleather goods

The group, with its six footwear manufacturing facilities in Lesotho, QwaQwa, Maritzburg and Durban, raised turnover

continued →





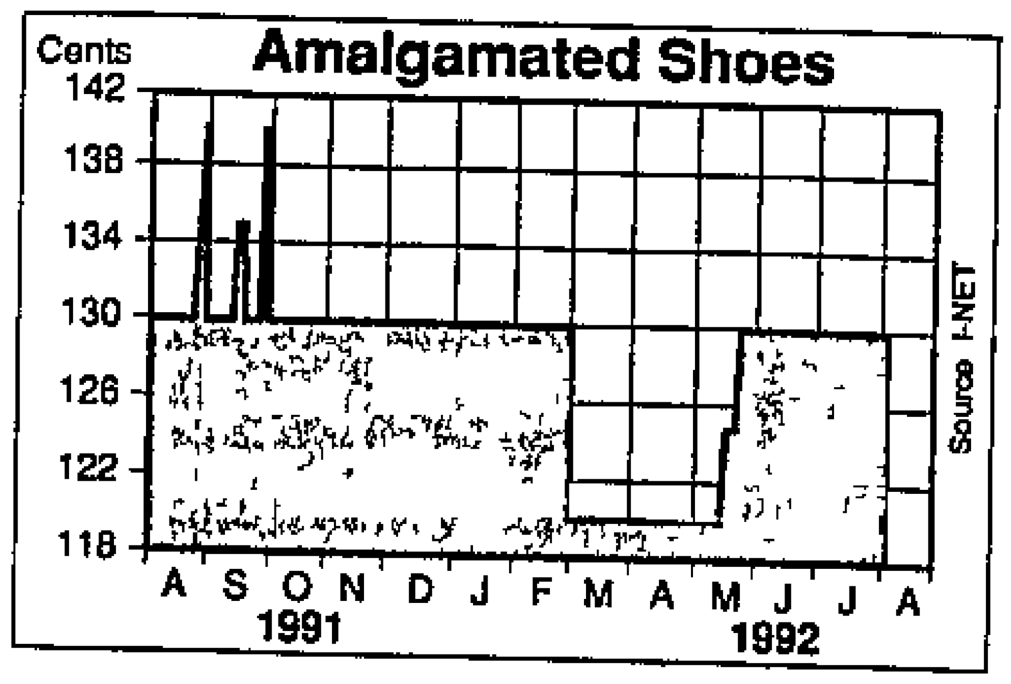
**Activities:** *Makes and distributes footwear*
**Control:** *Lenco Holdings 54,5%* (187)
**Chairman:** *D de Jager, CE R S Eckstein*
**Capital structure:** *58,6m ords Market capitalisation R76m*
**Share market:** *Price 130c Yields 6,9% on dividend, 21,9% on earnings, p e ratio, 4,6, cover, 3,2 12-month high, 140c, low, 120c Trading volume last quarter, 385 323 shares*

| Year to Feb 29 | '89 | '90 | '91 | '92 |
|---|---|---|---|---|
| ST debt (Rm) | 5,2 | 1,6 | 13,3 | 7,5 |
| LT debt (Rm) | 8,6 | 7,5 | 6,5 | 6,3 |
| Debt equity ratio | 0,64 | 0,21 | 0,31 | 0,20 |
| Shareholders interest | 0 35 | 0,52 | 0,51 | 0,59 |
| Int & leasing cover | 16,7 | 6 8 | 5,1 | 4,4 |
| Return on cap (%) | 37,3 | 38,8 | 25 8 | 25,3 |
| Turnover (Rm) | 157 | 208 | 219 | 234 |
| Pre-int profit (Rm) | 22,0 | 31,8 | 27,3 | 27,9 |
| Pre-int margin (%) | 14 0 | 15 3 | 12,5 | 12,0 |
| Earnings (c) | 27 9 | 33,5 | 27,4 | 28,5 |
| Dividends (c) | 7 | 9 | 9 | 9 |
| Net worth (c) | 37,2 | 73,9 | 92,2 | 111,6 |

6,5% to R233,5m but with extreme pressure on margins Finance charges were up 17% Turnover growth was mainly due to success in focusing business on the changing buying patterns of consumers

The effective rate of tax at 22,7% (27,6%) is efficient, considering the group has no assessed losses Nevertheless, after-tax income was up a mere 5% and the dividend was pegged at 9c for the third year

Interest-bearing debt fell substantially in financial 1992 So did current liabilities, down 18% Capex this year will be focused on the expansion of production plants, with




Swaziland a possible target for investment in capacity

CE Roy Eckstein says margins have taken the brunt of a difficult trading year In an attempt to maintain production levels in a shrinking market, and so increase market share, Amshoe has kept price increases to a minimum

A key objective this year is to improve profitability, says Eckstein For this reason, capacity expansion is in Lesotho, away from the Natal-based plants where the tax rate and overhead costs are higher

Exports from Lesotho to EC countries have been disappointing, having made only a marginal profit contribution Unfortunately, Eckstein does not see much short-term growth in this area

Amshoe is operating from a good financial base Expansion of the Lesotho factory has potential to generate good earnings, but the share, at 130c, is best suited to long-term investors

*Marylou Greig*

# Amrel footwear, apparel divisions perform poorly

BDAY 6/11/92 (187)

MARCIA KLEIN

SA Breweries subsidiary Amrel has reported a loss of 22,9c a share (earnings of 59,2c) in the six months to end-September as poor results from its footwear and apparel divisions offset stronger performances by its furniture and services interests

MD Stan Berger said joint financing company Amretfin was now being fully consolidated, so results for the previous year has been restated on the same basis

But no restatement has been made to reflect the effect of the April acquisition of a controlling interest in clothing retailer Boymans

Turnover excluding Boymans increased marginally to R469,4m from R462,6m on the back of a "downward spiral" in consumer confidence and spending, Berger said. The most significant contribution to turnover came from the furniture division, which increased sales by nearly 6%

Although the increase in expenses was limited to 4%, sustained pressure on margins saw trading profit drop by 15,2% to R30,2m (R35,7m) Berger said that solid performances by the furniture and services divisions and Boymans were offset by the poor results in footwear and apparel.

The group's operating result was eroded by net financing costs of R34,2m (R35,3m), resulting in a R3,9m loss before tax This compared with a R358 000 pre-tax profit in the previous year

But deferrred tax credits of R2m on losses in certain companies brought the bottom line loss to R2,1m from earnings of R5,5m in the previous year

No interim dividend has been declared

Berger said the group had decided to discontinue servicing some market segments due to "extensive overhead structures, unmanageable collection problems and unacceptably high credit risks"

To this end, Amrel has completely restructured Tip Top Furnishers The costs are reflected in a R33m extraordinary item

He said Amrel was closely monitoring the prospect of raising new share capital

## Cash flow

The incorporation of Amretfin's borrowings had placed further pressure on gearing, which was 380% at the end of the six month period.

Berger said cash flow from operations reflected a positive R5m

The second half was traditionally far stronger than the first six months, but Berger said it was unlikely that there would be any recovery in consumer spending before the financial year-end

In this light, Amrel expected only a marginal improvement on the first half's performance.

# A silver lining at Silveroaks

BDM 20/11/92

Business Day Reporter (187) (488)

SILVEROAKS Industries chairman Peter Kaufmann is cautiously optimistic about the company's future in spite of adverse worldwide economic and local market conditions

He said in the company's annual report the share price had not performed well, but shareholders had been rewarded with a 300% increase in dividend payments.

One of the divisions in the leather tanning and manufacturing group did badly, but new management had been appointed and production streamlined.

MD Owen Townsley said the trading divsion's operations remained satisfactory, but this would have not been the case if the market price of hides in SA had remained unrealistically high.

The footwear leather division had been affected severely by the downturn, strikes and importation of cheap shoes. The garment and exotic hides division had been affected by declining market demands and trends.

The upholstery leather division had been hit by fragile labour relations in the motor industry; and furniture upholstery demand collapsed in the second half of the financial year to end June, Townsley said.